Solem, Aleisha

From: Mike Kahoe <mike@co.granite.mt.us>
Sent: Friday, June 21, 2013 9:15 AM
To: Solem, Aleisha
Cc: 'Roger Kirk'; 'Ben Singer'
Subject: Support for Small Hydro
Attachments: 6-21-2013 PSC Comm.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Public Service Commission

Dear Commissioners:

Please find attached a letter in support of small hydro projects. They are very important to the people of Granite County.

Thank you for your consideration.

Regards,
Granite County Commissioners

Mike Kahoe

Mike Kahoe, Administrative Assistant
Granite County Commissioners
P. O. Box 925
Philipsburg, MT 59858
Phone: 406-859-7023 Fax: 406-859-3817

Office of
The Board of County Commissioners
Granite County

Post Office Box 925, Philipsburg, Montana 59858-0925
Office Telephone 406-859-7022 Office Fax 406-859-3817 Web Site www.co.granite.mt.us

Scott C. Adler, Chairman
750 Frontage Road West
Drummond MT 59832

Clifford Nelson, Commissioner
25 Nelson Lane
Philipsburg MT 59858

Bart C. Bonney, Commissioner
P O Box 701
Philipsburg MT 59858

June 21, 2013

Public Service Commission
P O Box 202601
Helena MT 59620-2601

Dear Commissioners,

It is our understanding that the PSC itself is trying to limit the size of small hydro projects to 100 KW that can qualify to sell power to NW Energy under PURPA. We further understand that the hearing for this action is this coming Monday. This ruling would make NW the sole provider of power from a project of any significant size. Do we really want to give them more monopoly power? Absolutely not!

The Flint Creek Project that Granite County recently completed would not have been able to obtain a power sales contract under this ruling. This project is a tremendous long term asset for the county. Not only are we concerned about our project and its potential enlargement in the future, we are concerned about the many potential projects on irrigation systems on farms and ranches in Granite County. There is no reason that an out of state utility should be the sole provider of power when our farmers, ranchers and municipalities like Philipsburg can produce the same power at the same price the utility would get. These prices are set by the PSC.

Please reconsider your intentions and do not limit small hydropower. Our local farms and ranches should be allowed to participate in this market if they can produce the power for the same or better price than NW.

Sincerely yours,

BOARD OF COUNTY COMMISSIONERS
OF GRANITE COUNTY

Scott C. Adler

Scott C. Adler, Chairman

Solem, Aleisha

From: gordon brittan <gbrittan17@gmail.com>
Sent: Friday, June 28, 2013 1:26 PM
To: Solem, Aleisha
Subject: comments on the proposed MPSC 100kW QF cap

In 1984, we installed one of the very first commercial wind turbines, a Wind-Matic 65kW, on our ranch east of Livingston. In that connection, we negotiated a 10-year QF contract with Montana Power Company at $.0567/kWh. We could have negotiated a 35-year contract at something like $.0715/kWh, but were sure that electricity would be worth more than that in 1994 and unsure about the durability of the new wind turbines. Our relations with the utility were, and have always been, amicable.

In 1994, wholesale rates for electricity in the country generally had plummeted, and we negotiated a second 10-year contract for roughly $.025/kWh, far below what we needed to pay off the turbine. Needless to say, very few QF contracts were signed during these years.

Indeed, relatively few QF contracts have been signed in the past 29 years. The total amount of QF energy in Montana is negligible. The impact on rate-payers insignificant. This despite the fact that over almost this whole period there has been a constant drum-beat of claims from the utility that it was been "overwhelmed" by requests for QF contracts. "Underwhelmed" is the more accurate word.

As a long-time and close student of the situation, there are three main messages:
1. QF-generated power has not had, nor in all likelihood will it have, much impact on rate-payers.
2. The development of additional QF power will be dependent on the rates available. Rates are at the heart of the issue for everyone, and not completely arbitrary and government-imposed caps.
3. The MPSC, like those who invest in generation facilities, have to take the long view. As our own experience indicates, energy prices are very volatile. Renewable energy is one way in which to deal dampen volatility, and in the process introduce more predictability into prices that consumers will have to pay. A 100kW cap will only discourage new renewable development, when the MPSC should be encouraging greater competition between providers. That's the way the free market system works.

Incidentally, as I write this our 65kW turbine is spinning away, still supplying power to the grid. It will be going strong after Colstrip ##3-4 are shuttered.

Gordon Brittan
215 Mission Creek Road
Livingston, MT 59047

Solem, Aleisha

From: Kavulla,Travis
Sent: Friday, June 28, 2013 2:22 PM
To: Solem, Aleisha
Subject: FW: PSC rule change adverse affects to Zinc Air

From: Senator Ed Buttrey [mailto:ebuttrey@senate13.com]
Sent: Friday, June 28, 2013 2:18 PM
To: Kavulla,Travis
Subject: FW: PSC rule change adverse affects to Zinc Air

Travis,

Please see below. This is a company that I work with in the Flathead. Please take this into consideration upon your deliberations. Thank you.

Ed Buttrey

Respectfully,

Senator Edward Buttrey
Senate District 13
Ph: 406 750-6798
Fax: 406 770-3013

Montana State Senate

The Big Sky Country

SENATE DISTRICT 13

COMMITTEES (SESSION):
FINANCE AND CLAIMS
LOCAL GOVERNMENT - CHAIRMAN
LEGISLATIVE ADMINISTRATION- CHAIRMAN
HIGHWAYS AND TRANSPORTATION – V. CHAIRMAN
JOINT APPROPRIATIONS – GENERAL GOVT

From: Kevin Waldher [mailto:kevin.waldher@zincairinc.com]
Sent: Friday, June 28, 2013 12:43 PM
To: ebuttrey@senate13.com
Subject: PSC rule change adverse affects to Zinc Air

Dear Ed,

We at Zinc Air in Columbia Falls, MT would like to voice our opposition to this proposed rule change by the PSC which will more than just adversely affect the renewable energy providers. This will also have a negative impact of Zinc Air, its

employees and the other service providers throughout this state that we purchase product and services from. We would ask that before this rule change be considered, there is an economic impact study done that will show the overall economics of this proposal which we believe to have a long term adverse effect on many businesses and their families throughout this state.

We appreciate your support of a long term vision for the people of this great state of Montana.

Kevin

Kevin L. Waldher
EVP/Finance & Investor Relations
Zinc Air, Inc.
5314 Hwy 2 W.
Columbia Falls, MT 59912
Cell: (406) 261-4787
Fax: (815)366-7937
Kevin.Waldher@zincairinc.com
www.zincairinc.com

Please consider the environment before printing this email.

Solem, Aleisha

From: buyan <buyans@3rivers.net>
Sent: Sunday, June 23, 2013 5:01 PM
To: Solem, Aleisha
Subject: Fwd: hydroelectric plants

-------- Original Message --------
Subject:hydroelectric plants
Date: Sun, 23 Jun 2013 16:59:07 -0600
From:buyan <buyans@3rivers.net>
To:rkoopman@mt.gov

To Whom This May Conern:
I am interested in supplementing my income with a small hydroelectric project on Wisconsin Creek. While it is not a huge amount of income, as farming and ranching in Montana goes, it is very significant to my family. This project is only on of many small projects that could be developed on existing streams and irrigation systems in our area. If the Commission limits the project size to 100kw, this any many other projects are not feasible. I have looked into the rates that these projects get. They are far lower than what I am charged for energy on my bill and far lower than what NW Energy gets for most if its projects. these projects are good for rate payers.

Please do not destroy this opportunity for me or for the rest of the ag community to earn additional income. We need everything that our land can provide.

Sincerely,

Bill Buyan
Buyan Ranch, Inc.

Solem, Aleisha

From: Robyn Driscoll <robyn@robyndriscoll.com>
Sent: Friday, June 28, 2013 3:34 PM
To: Solem, Aleisha
Subject: Fwd: Amendment of ARM 38.5.1902
Attachments: Rep Amanda Curtis EIS request.jpg; Rep Doug Coffin EIS request.pdf; Rep Tom Steenberg EIS request.pdf; Sen Tom Facey.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

I have been coordinating efforts to get signatures and letters from individual legislators requesting an economic impact statement for the amendment to ARM 38.5. 1902. I am now sending on four of those individual's letters:

Attachment 1. Rep Curtis individual letter:

Attachment 2. Rep Coffin individual letter:

Attachment 3. Rep Steenberg individual letter:

Attachment 4. Sen Facey individual letter:

June 26, 2013

Aleisha Solem
Department of Public Service Regulation
1701 Prospect Avenue
P.O. Box 202601
Helena, Montana 59620-2601

Re: the amendment of ARM 38.5.1902

Ms. Aleisha Solem,

As members of the Montana Legislature, and in accordance with 2-4-405 of Montana Code, we would like to request an economic impact statement be prepared regarding the amendment of ARM 38.5.1902 pertaining to qualifying facilities (MAR Notice No 38-5-218).

Sincerely,

Douglas Coffin

Rep. Douglas Coffin, HD 93
4730 Mark Ct.
Missoula, MT 59803

The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE AMANDA CURTIS
HOUSE DISTRICT 76

HELENA ADDRESS:
CAPITOL BUILDING
PO BOX 200400
HELENA, MONTANA 59620-0400
PHONE: (406) 444-4800

HOME ADDRESS:
1117 N. EMMETT
BUTTE, MT 59701
PHONE: (406) 782-4149
CELL: (406) 533-9300

June 26, 2013

Aleisha Solem
Department of Public Service Regulation
1701 Prospect Avenue
P.O. Box 202601
Helena, Montana 59620-2601

Re: the amendment of ARM 38.5.1902

Ms. Aleisha Solem,

As members of the Montana Legislature, and in accordance with 2-4-405 of Montana Code, we would like to request an economic impact statement be prepared regarding the amendment of ARM 38.5.1902 pertaining to qualifying facilities (MAR Notice No 38-5-218).

Sincerely,

Amanda Curtis

Representative Amanda Curtis
House District 76
1117 North Emmet
Butte, MT 59701

Solem, Aleisha

From: Dustin's Gmail <dustin.deyong@gmail.com>
Sent: Wednesday, June 05, 2013 8:58 AM
To: Solem, Aleisha
Subject: QF rule change

Please leave the maximum size of a qualifying facility at 10 mw. A lesser maximum will greatly stifle small scale energy development that is available to small business across the state.

Thank you.

Sincerely,

Dustin de Yong

Sent from my iPhone

Solem, Aleisha

From: Robyn Driscoll <robyn@robyndriscoll.com>
Sent: Friday, June 28, 2013 1:43 PM
To: Solem, Aleisha
Cc: Mary McNally; Greg Jergeson; Robyn Driscoll; Tropila, Mitch Senator; kimberly.dudik@gmail.com; rnewbar@gmail.com; Kaufmann, Christine (Senator); curtis.butte@gmail.com; KathleenHD65@bresnan.net; Kelly McCarthy; Tom Facey; mtsteenberg@bresnan.net; suemalek@gmail.com; mtdougc@gmail.com; ccboland@bresnan.net; kendall@mtlandreliance.org; bennettforhouse@gmail.com; Phillips, Mike; Margaret MacDonald; Nowakowski, Sonja
Subject: Amendment of ARM 38.5.1902
Attachments: Legislator request for economic impact statement.pdf

Dear Aleisha,

I am attaching a request from 15 legislators for an economic impact statement to be conducted for the amendment of ARM 38.5. 1902. Thank you for your consideration.

Best regards,

Robyn Driscoll
Senator, SD26
Billings

--
robyndriscoll.com

June 26, 2013

Aleisha Solem
Department of Public Service Regulation
1701 Prospect Avenue
P.O. Box 202601
Helena, Montana 59620-2601

Re: the amendment of ARM 38.5.1902

Ms. Aleisha Solem,

As members of the Montana Legislature, and in accordance with 2-4-405 of Montana Code, we would like to request an economic impact statement be prepared regarding the amendment of ARM 38.5.1902 pertaining to qualifying facilities (MAR Notice No 38-5-218).

Sincerely,

Sen. Dick Barrett
Senate District 47
219 Agnes Ave
Missoula, MT 59801

Sen. Robyn Driscoll
Senate District 26
404 Houle Dr
Billings, MT 59102

Sen. Christine Kaufmann
Senate District 41
825 Breckenridge St
Helena, MT 59601

Rep. Bryce Bennett
House District 92
430 S 5th St E Apt C9
Missoula, MT 59801

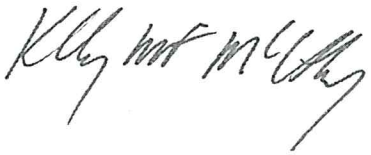
Rep. Kimberly Dudik
House District 99
PO Box 16712
Missoula, MT 59808

Rep. Margie MacDonald
House District 54
4111 June Dr
Billings, MT 59106

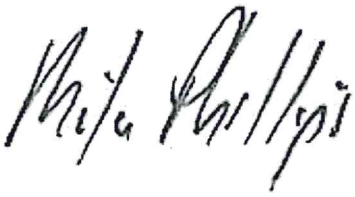
Rep. Carlie Boland
House District 23
1215 6th Ave N
Great Falls, MT 59401

Sen. Greg Jergeson
Senate District 17
PO Box 1568
Chinook, MT 59523

Sen. Susan Malek
Senate District 46
1400 Prairie Way
Missoula, MT 59802



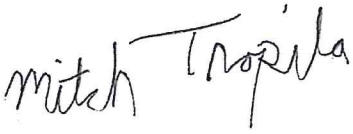
Rep. Kelly McCarthy
House District 51
625 Yellowstone Ave
Billings, MT 59101



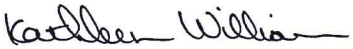
Sen. Mike Phillips
Senate District 33
9 W Arnold St
Bozeman, MT 59715

Sen. Kendall Van Dyk
Senate District 25
910 N 31st St
Billings, MT 59101

Rep. Mary McNally
House District 49
Po Box 20584
Billings, MT 59104



Sen. Mitch Tropila
Senate District 12
Po Box 929
Great Falls, MT 59403



Rep. Kathleen Williams
House District 65
PO Box 548
Bozeman, MT 59771

June 26, 2013

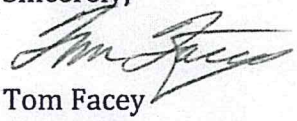
Aleisha Solem
Department of Public Service Regulation
1701 Prospect Avenue
P.O. Box 202601
Helena, Montana 59620-2601

Re: the amendment of ARM 38.5.1902

Ms. Aleisha Solem,

As members of the Montana Legislature, and in accordance with 2-4-405 of Montana Code, we would like to request an economic impact statement be prepared regarding the amendment of ARM 38.5.1902 pertaining to qualifying facilities (MAR Notice No 38-5-218).

Sincerely,



Tom Facey
Senate District 48
418 Plymouth
Missoula, MT 59801

PO Box 771 ●35 4th Street West
Kalispell, Montana 59903

CITIZENS FOR A BETTER FLATHEAD
www.flatheadcitizens.org

T: 406.756.8993 ●F: 406.756.8991
citizens@flatheadcitizens.org

To: Public Service Commission
Re: Proposal to reduce the amount of power a renewable energy project can produce while receiving a standard-rate contract from NorthWestern Energy.
Date: June 28, 2013

Citizens for a Better Flathead appreciates this opportunity to comment on the proposed rule change. Our organization was founded in 1992 and we represent some 2000 supporters throughout the county. Our mission is to foster informed and active citizen participation in the decisions shaping the Flathead's future, and to champion the democratic principles, sustainable solutions, and shared vision necessary to keep the Flathead *Special Forever*.

We recently led the research and a collaborative community process that led to the release of a comprehensive review of energy issues and opportunities in the Flathead resulting in the publication of a guide, Re-Powering the Flathead for a New Energy Economy. As part of this process we became acutely aware of how important Flathead Electric Coop's willingness to support and contract with small-scale renewable energy projects is to their success. These types of programs have created jobs and sustained numerous businesses that were looking to invest in energy solutions.

With this proposed rule change we are concerned that similar projects across the state would no longer be viable. We oppose the proposed rule change that we believe will be a real blow to small independent power producers and will definitely limit the growth of small renewable energy projects in the State. The fact is that NWE is not being overwhelmed with requests for Qualified Facility Power Purchase Agreements and should not consider them to be problematic. Rather, they should embrace new Montana based distributed energy providers feeding into their grid and become proponents of integrating these power sources to build the power system of the future.

Sincerely,

Mayre Flowers
Executive Director

Solem, Aleisha

From: Jeff L. Fox <jeff@rnp.org>
Sent: Friday, June 28, 2013 3:58 PM
To: Solem, Aleisha
Subject: amendment of ARM 38.5.1902 pertaining to qualifying facilities
Attachments: RNP comments on amendment of ARM 38.5.1902.doc

Ms. Solem,

Please find the attached comments from Renewable Northwest Project on the proposed amendment of ARM 38.5.1902 pertaining to qualifying facilities.

Thank you for the opportunity to comment.

Regards,

Jeff L. Fox
Montana Policy Manager
Renewable Northwest Project
615 South Black Ave., Bozeman, MT 59715
406-599-2916 cell
503-223-4544 Portland office
www.rnp.org

BEFORE THE DEPARTMENT OF PUBLIC SERVICE REGULATION
OF THE STATE OF MONTANA

In the matter of the amendment of ARM 38.5.1902 pertaining to qualifying facilities	**COMMENTS OF RENEWABLE NORTHWEST PROJECT**

1. Summary

The proposed amendment to ARM 38.5.1902 ("the Amendment") would close the door to small independent power producers who can develop cost-competitive energy projects adding diversity and cost-stability to NorthWestern Energy's (NorthWestern) resource portfolio. The Amendment would increase NorthWestern's market influence, reduce competition, and lead to higher costs for ratepayers.

More broadly, the Amendment would dampen expansion of Montana's rural energy economy and obstruct efforts to increase renewable energy utilization to meet in-state demand. For these reasons, among others, Renewable Northwest Project (RNP) opposes the Amendment and encourages the Montana Public Service Commission (PSC or Commission) to consider alternatives.

To orient the Commission to the structure of RNP's comments, an introductory outline follows:

1. Summary
2. Background
3. Proposed amendment to ARM 38.5.1902
    - 3.1. Description of the Amendment
    - 3.2. Origin of the Amendment
4. The Amendment is inconsistent with recent Montana policy
    - 4.1. The Amendment conflicts with Montana's Energy Policy
    - 4.2. The Amendment is inconsistent with the current Legislature's expressed policy preferences
5. Consequences of adopting the Amendment
    - 5.1. A 100 kW capacity threshold will eliminate QF development
    - 5.2. A loss of QF development interest will lead to increased electric costs
        - 5.2.1 Influence of contested avoided cost docket on rates
    - 5.3. Likely consequences of exempting existing QF contract extensions from new capacity threshold
6. Proponents' arguments for adopting the Amendment are insufficient
    - 6.1. Cost: Avoided cost rates have been and remain competitive
        - 6.1.1. Historical QF Costs
        - 6.1.2. Current QF Costs

2. Background

PURPA and historical QF development on NorthWestern Energy's system: PURPA promotes development of small, independently owned hydro, wind, solar, biomass, geothermal, cogeneration and waste burning facilities—known as qualifying facilities (QFs). In Montana, the policy principally applies to NorthWestern.[1] PURPA recognizes that vertically integrated investor owned utilities, such as NorthWestern, are structured to prefer their own generating resources to those of equally suitable independent power producers.

PURPA requires states to set terms for QF development, including setting a capacity limit between 100kW and 80MW on the size of a facility that is eligible for standard offer prices and contracts. The contract price of power must be set at the utility's "avoided cost," defined as "the cost to the electric utility of the electric energy which, but for the purchase from [the QF], such utility would generate or purchase from another source." The intent of pegging the avoided cost rate to the price that the utility would itself pay for the next unit of energy is that QF contracts do not harm ratepayers. And, because most QF developments are resources with zero fuel costs and operate under long-term 20-25 year contracts, QF contracts serve to insulate ratepayers from rising costs and price volatility associated with fossil fuels.

It is important to note that the avoided cost rate is based on the lowest cost resource at the moment. In the most recent avoided cost rate set by the PSC, the cost was based on a natural gas generating facility. Once the rate is set an independent power producer can compete against the monopoly utility to meet the electric needs of the utility customers at the "avoided cost" rate. If an independent power

[1] Montana's other large, vertically integrated investor owned utility, Montana Dakota Utilities, takes part in a Regional Transmission Organization that offers nondiscriminatory access to independent power producers. Therefore, most of the purchase obligations of PURPA do not apply to MDU.

producer can meet the rate and other contract terms, the facility is offered a contract.

In Montana, recent QF policy has set the capacity limit for QF projects at 10MW for standard rates and a standard offer contract.

Since 1999, 36 MW of QFs have been successfully developed, representing about 2% of NorthWestern Energy's electric supply (this includes the three recently completed 10 MW wind projects in 2012). These post-1999 facilities are known as QF-1 contracts. All of NorthWestern Energy's QF-1s are small wind and hydro projects.

NorthWestern Energy also has ten legacy QF contracts on its system known as Tier 2 QF contracts (referred to here as QF-2s). This group of ten contracts was contracted by Montana Power prior to 1999 when the original default supply obligation was established under utility deregulation. The QF-2 contracts include a 35-megawatt "waste coal" burning facility and a 52-megawatt "petroleum coke" burning facility. These two facilities account for 92% of NorthWestern Energy's QF-2 energy. QF-2s have a total nameplate capacity rating of 100MW and, because of high annual capacity factors, make up approximately 11% of NorthWestern Energy's electric supply. By 2028 virtually all of the QF-2 contracts on NorthWestern Energy's system will expire, including the two large thermal contracts.

3. Proposed amendment to ARM 38.5.1902

3.1. Description of the Amendment:

The Amendment limits standard offer contracts and standard prices to QFs no greater than 100 kW of nameplate capacity, reducing the current 10 MW capacity threshold by 99%.

The Amendment also exempts existing QF contracts from the new capacity threshold (indeed, from any capacity threshold other than PURPA's 80 MW limit) when seeking to extend or renegotiate contracts.

3.2. Origin of the Amendment:

HB 188 in the 63rd Montana Legislature proposed a 100 kW capacity limit for a standard offer contract and prices. Representative Steve Fitzpatrick requested the bill and it was later sponsored by Representative Keith Regier.

NorthWestern and PSC Chairman Bill Gallagher (not representing the Commission) were the only two proponents of the bill in the House and Senate hearings.

The proposal now appears as a PSC-initiated rule change.

4. The Amendment is inconsistent with recent Montana policy

4.1. The Amendment conflicts with Montana's Energy Policy:

The Montana Energy policy is not neutral on the development of Montana wind resources, which this Amendment would impact. The "State energy policy goal statements" as kept in Montana Code specifically "promote[s] the generation of low-cost electricity with large-scale utility wind generation and small-scale distributed generation" in 90-4-1001-1(i). Since utility wind development at the avoided cost rate of a utility is inherently "low-cost," and the directive of the policy statement is to promote such generation, the Amendment conflicts with the state's energy policy goals.

The policy goal statements go on to specifically endorse the development of "contracts between qualifying small power production facilities as defined in 69-3-601, and utilities, which facilitate the development of small power production facilities by identifying fair and reasonable costs for integration of their power" in 90-4-1001-1(s) of Montana Code. The adoption of the 100 kW capacity threshold for standard offer contracts and pricing will not "facilitate the development of small power production facilities" as directed by Montana's energy policy.

The Amendment is not consistent with Montana's energy policy statements as set by the Montana Legislature and should be rejected for these reasons.

4.2. The Amendment is inconsistent with the current Legislature's expressed policy preferences:

The Amendment goes well beyond what the Legislature recently contemplated in the very similar action of HB 188. HB 188 in the 63rd Montana Legislature started with a capacity limit for a standard offer contract of just 100 kW. The 100 kW limit for a standard offer contract was immediately recognized as too restrictive by the Federal Relations, Energy and Telecommunications Committee and the Legislature amended the bill to increase the capacity limit to 3 MW. It was the 3 MW limit that was supported by the majority of legislators in the House and Senate of the Montana Legislature, not the 100 kW limit the PSC is now considering. If the PSC moves forward with a 100 kW capacity threshold for new standard offer contracts, it does so against the opinion expressed in the voting records of the current Montana Legislature.

5. Consequences of adopting the Amendment

5.1. A 100 kW capacity threshold will eliminate QF development:

The reduced capacity threshold would effectively eliminate QF development interest in the state of Montana because a 100 kW project simply cannot compete against the most cost effective utility scale generation available to a utility (in this

case a gas plant), as is required by PURPA in pegging QF development to the avoided cost rate of the utility. The ability to negotiate PURPA contracts above the threshold does not alleviate the problem, because there is little evidence that NorthWestern will be motivated to negotiate to bring on QF contracts.

5.2. A loss of QF development interest will lead to increased electric costs:
QF development interest from independent power producers is the most direct form of competition with NorthWestern for new electric generation development. Losing this market competition will likely lead to increased electric costs for consumers. A plausible scenario for how this upward rate pressure will occur is through the loss of the contested avoided cost docket.

5.2.1. Influence of contested avoided cost docket on rates:
With a balanced PURPA policy in place, monopoly utilities must present to the PSC the lowest reasonable avoided cost rate; otherwise, the utility risks losing the opportunity to build or buy generating assets, and the ensuing rate of return, to independent power producers able to develop at the avoided cost rate. QF producers argue for the highest reasonable avoided cost rate in order to expand their market opportunity. The contested case gives the PSC its best market insight on the marginal cost of new electric generation in Montana. The absence of a vibrant independent power community and a robust contested case may result in several detrimental effects to ratepayers.

First, setting an avoided cost rate provides a powerful competitive motivation for the utility to "beat the rate." The utility routinely quotes the avoided cost rate in any of its announcements to build or buy a new generating resource, often even calculating the difference between the avoided cost rate and the utility's proposed project in the utility's press release. While this tendency for the utility to publicly compete against the published avoided cost rate might seem superficial, the Commission should not underestimate the value of the benchmark represented by the avoided cost set by the Commission.

Second, without the competitive pressure of potentially losing development opportunities to QF developers, the monopoly utility no longer has a motivation to argue for a lower avoided cost. This may lead to a gradual inflation in the utility's avoided cost, as an uncompetitive market can produce complacency and a dearth of innovative thinking.

Third, the contested avoided cost docket gives the Commission real insight into the utility's operating environment that might not arise in other venues. The information learned in an avoided cost docket is often used in other venues to "true-up" or truth-test the actions or statements of the utility. Avoided cost or other PURPA proceedings promote a fully informed Commission and public that are ultimately in the best interest of ratepayers.

Finally, the contested avoided cost serves to educate the Commission on the marginal cost of new electric generation in the state. Without a robust contested case, the Commission may lose touch with the marginal cost of new electric generation in the state, potentially increasing the likelihood of out of market resource acquisitions that do not serve the ratepayers' best interest.

5.3. Likely consequences of exempting existing QF contracts from any capacity threshold when seeking to extend or renegotiate contracts:

Exempting existing QF contracts from the 100 kW capacity threshold primarily benefits the 35 MW waste coal facility commonly referred to as CELP and the 52 MW petroleum coke facility known as YELP already operating on NorthWestern's system.[2] Exempting these existing QF contracts will require NorthWestern to accept new long-term standard offer contracts from these facilities once their contracts expire, despite their being several times larger than the previous capacity limit for new QF contracts of 10 MW and hundreds of times larger than the proposed 100 kW limit for new standard offer contracts.

Favoring these legacy facilities is unfair, but it is also a risky proposition for NorthWestern. In a climate where the federal government may begin to require utilities as a whole (as opposed specific facilities) to reduce their carbon emissions, locking in new long-term contracts with polluting legacy facilities could further expose NorthWestern's portfolio to the risk of higher regulatory costs.

6. Arguments for adopting the Amendment are insufficient

None of the arguments in favor of the Amendment are sufficient to support its adoption. Proponents of the Amendment have made several primary arguments: (1) that QF purchases are high priced; (2) that operational limitations at Dave Gates Generating Station (DGGS) cannot accommodate integration of new intermittent renewable generating facilities; (3) that the Amendment does not eliminate QF development, but merely requires QFs to competitively negotiate contracts; (4) that NorthWestern does not receive renewable energy credits (RECs) from QFs; and (5) that NorthWestern could be overwhelmed by an influx of QF projects, particularly through aggregation of multiple PURPA projects. Below, we rebut each of those arguments and explain why they are insufficient for adopting the Amendment.

6.1. Cost: Avoided cost rates have been and remain competitive

Avoided cost rates for QFs have generally been set to secure competitively priced additions to NorthWestern's portfolio. Going forward, the PSC's rate setting methodology will be even more responsive to market fluctuations. If the PSC believes that avoided cost pricing is still inappropriate, then the PSC has many tools at its disposal for adjusting the avoided cost rate. Adopting a 100 kW threshold,

---

[2] The exemption also may benefit the summer seasonally available 10 MW Horseshoe Bend wind project, if the project is unable to secure a long-term seasonal contract from the utility.

effectively shutting down QF development, is not an appropriate way to promote cost effective energy supply.

6.1.1. Historical QF Costs:

QF-1s have historically supplied some of the lowest cost power for ratepayers. From January 2009 to June 2012, QF-1s were the second cheapest resource in NorthWestern Energy's portfolio ($34.63/MWh).

6.1.2. Current QF Costs:

Since June 2012 NorthWestern Energy has signed three wind energy QF projects that will now make up the majority of NorthWestern Energy's QF-1 energy. These contracts were signed at higher prices than earlier QF-1 contracts due to higher natural gas prices when the avoided cost rate was set. These new QF facilities are on 25-year fixed rate contracts that assure NorthWestern Energy portfolio diversity and rate stability over a long period of time. While the future is of course unknowable, it is reasonably likely that these contracts will end up being attractive over the term of the contracts.

For reference, the new wind contracts are providing power at approximately $67/MWh, while NorthWestern Energy's own Colstrip Unit 4 provides power for approximately $63/MWh. The QF contracts, however, are not subject to the regulatory risk that the Colstrip 4 ownership represents for ratepayers.

6.1.3. Future QF Costs:

Going forward, the new avoided cost rate is subject to being updated every 6 months based upon a formula on what it would cost to build a new gas plant. This new biannually updated formula approach will help keep the avoided cost rate in step with rapid changes in the market.

Under the current avoided cost rate, the contract price for future QFs will be much lower. The current avoided cost, set by the PSC last December and reflecting the current low price of natural gas, is $56/MWh for most resources. For a new wind QF, the current avoided cost rate would actually be approximately $48/MWh (due to lower capacity payments). At $48/MWh, a prospective new QF wind facility would actually be at least $2/MWh cheaper than the estimated levelized cost of NorthWestern Energy's own 40 MW Spion Kop wind project.

6.2. Integration: NorthWestern has integration resource options

Integration concerns are also not a persuasive rationale for the Amendment. QF wind projects pay NorthWestern Energy the full cost of integration, as set by the PSC. Dave Gates Generating Station (DGGS) is not out of capacity to integrate more variable renewable energy; assuming wind development took place in Zone 3 of the WI-1 tariff, DGGS could integrate up to an additional 47 MW of new wind energy generation.[3] With additional operational and market improvements, the utility

[3] *See* Docket No. D2012.1.3, Order No. 7199e (Order on Motion for Stay), at page 15 and n.5.

could integrate even more intermittent resources. We believe the private market can and will provide additional integrating resources. RNP stands ready to work with NorthWestern Energy to find additional integrating resources and proactively confront an evolving electric power system.

6.3. Competitive bidding:

NorthWestern Energy has argued that, even if the Legislature had limited standard offer rates and contracts for QFs, development of QFs larger than 100 kW can continue to occur through a competitive bidding process resulting in negotiated rates. As we explain below, the asserted availability of competitive procurement does not provide support for the Amendment.

6.3.1. History of negotiated contracts between QFs and NorthWestern:

Although PURPA requires utilities to negotiate with QFs up to 80 MW in size, NorthWestern Energy has never negotiated a QF contract resulting in construction of a project larger than 2 MW. History does not support the notion that QF projects will have a realistic path to development through negotiated contracts with the utility.

6.3.2. NorthWestern's competitive bidding process:

Without additional regulation by the PSC, the current competitive bidding process is not likely to provide a realistic pathway for independent resources to meet NorthWestern Energy's needs. Without additional independent oversight, there is little to balance the structural fact that a regulated utility's financial motivations are to own their own energy generating resources in order to earn a rate of return on their capital. To protect ratepayer interests in light of this structural fact, the Commission should provide oversight on competitive solicitations, or direct an independent evaluator to do so. Without taking these and other additional steps to promote regular, fair competition, it cannot be said that competitive solicitations obviate the need for published rates and standard contracts.

6.4. QF RECs are available to NorthWestern:

Contrary to the implication in NorthWestern's testimony, RECs from QFs *are* available to NorthWestern Energy for RPS compliance: the utility can negotiate to buy a QF's RECs. It is true that RECs are not required to be conveyed to the utility under a standard offer QF contract for a renewable resource, because the rate does not compensate the QF for its environmental attributes. But, should the utility need or want the QF's RECs, there is nothing barring the utility from negotiating for the RECs from those facilities.

Leaving the decision to the utility and the QF in each case is probably the best policy for the utility and ratepayers, giving the utility the option to pay for additional values if it wants or needs them. Indeed, if a standard offer contract directed that RECs be conveyed to a utility, the utility could find itself in the situation of paying for the environmental attributes of a renewable QF facility when it does not need the RECs to comply with a state renewable energy standard. In this situation, unless a

utility wanted to market its excess RECs, it would be paying for a product not needed and of no monetary value to the utility.

6.5. Good PURPA implementation will prevent QF oversupply

NorthWestern Energy has not been, and is not likely to be, overwhelmed with QF contracts. Since 1999, only 36 MW of QF projects have been developed on NorthWestern's system. Despite a QF cap that allows for a maximum of 50MW of QF wind projects to be developed on NorthWestern's system, only 30MW has actually been constructed and placed in regular service. History simply does not support the notion that NorthWestern Energy is likely to be overrun with QF development.

A state's implementation of PURPA can be calibrated to avoid overwhelming the utility with capacity additions using a variety of regulatory approaches. Pricing can be adjusted to avoid energy deliveries when the utility does not need them, and to promote deliveries when the utility does. The PSC's recent action to adjust rates more frequently to match low natural gas prices is one example of such adjustments, but many others are available.

To be sure, disaggregation of larger projects into QF eligible sizes can distort the market, but states can effectively control disaggregation through regulation. Unlike in Idaho where no regulation of disaggregation was attempted, the Montana PSC's "Kenfield decision"[4] may have prevented or served as a warning to this development approach. However, if the Commission believes disaggregation is still a valid concern that may lead to oversupply of QF resources, we encourage the PSC to adopt rules to adequately ensure project separation.

7. Additional reasons to oppose the Amendment

7.1. Indiscriminate nature of the Amendment:

The Amendment is indiscriminate in its treatment of new QF development. Hydro, biomass, geothermal, cogeneration, and waste burning facilities can all be developed as QF resources. Several of the rationales for the amendment would not apply to these resource types (integration, disaggregation). This indiscriminate treatment of QF development sets this Amendment apart from the Idaho Public Utilities Commission (IPUC) decision occasionally cited by Chairman Gallagher; that decision lowered the capacity threshold for a standard offer contract to 100 kW for wind and solar resources only, and only because of the "disaggregation" that Idaho experienced and declined to regulate. Importantly the Idaho PUC left the capacity threshold for a standard offer contract and prices at 10 *average* MW for other QF resources, reaffirming the importance of PURPA as a driver of competition.

7.2. Value of ownership diversity:

---

[4] Docket No. D2010.2.18, Order No. 7068b.

Ratepayers benefit from having not only a diverse mix of resource types in their energy supply portfolio, but also a diverse mix of ownership structures to limit ratepayer risk. Independent power producers shoulder some of the risk that ratepayers would otherwise bear. For instance, if a lightning storm were to damage one of the newly signed QF-1 wind facilities next year, NorthWestern Energy and its ratepayers simply stop paying that facility for the energy it is no longer supplying. However, if the same storm damages the recently constructed NorthWestern Energy owned Spion Kop wind facility, ratepayers are on the hook for energy not delivered and repairs to the facility. Fixed long-term contracts also insulate ratepayers from volatile and uncertain fuel and regulatory costs.

7.3. Economic Impact and Other Attributes of QF Development:
Adopting the Amendment turns away the economic development benefits that Montana's small independent power producers bring to communities. No other energy interest in the state actively pursues and develops energy generation opportunities from our natural resources at the size encouraged by a 10-megawatt standard offer contract. These independent power producers shoulder real development risks and their own capital to find and utilize small, cost competitive energy generation opportunities for the use and benefit of Montana ratepayers and the communities where these opportunities exist.

The vast majority of these opportunities have historically been found in small rural communities that badly need the economic activity. In recent years QF wind project development has generated 80 million dollars in rural economic investment. These same wind projects have also created approximately 125 good paying construction jobs and 6 permanent jobs in rural areas of the state. While 6 jobs may not sound like a lot to regulators on the Public Service Commission, it is important to remember that each job in a community the size of Harlowton has roughly the same weight as 30 jobs in a community the size of Helena.

Small independent power producers should be celebrated for their ingenuity, their willingness to take risks with their own capital, and their determination to find economic opportunity in areas that others overlook. The Amendment will further limit innovation and the entrepreneurial spirit in Montana energy development sector, and reduce economic opportunity for Montana's rural communities.

8. The PSC should prepare a Small Business Impact Statement

Given the negative effects the Amendment would have on small businesses that pursue QF development, the Commission should perform a small business impact statement as articulated in SB 139 and passed by the 63rd Montana Legislature. Though the new law's effective date does not apply to the Amendment because the Amendment was initiated before the July 1, 2013 effective date of the law, the Commission should respect the policy direction taken by the Legislature and

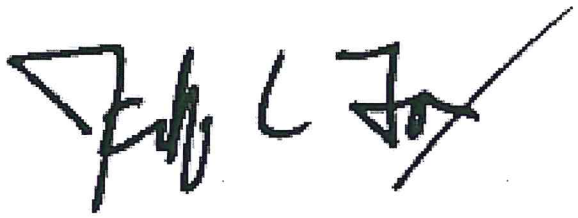
voluntarily undertake an analysis to fully examine the potential impacts to small businesses.

9. Conclusion: Better Alternatives Exist

Implementing PURPA need not be the all-or-nothing proposition that the PSC's 100 kW proposal represents. A state's implementation of PURPA can be calibrated to avoid extremes—either closing the door to QF development or overwhelming the utility with capacity additions—with a variety of regulatory approaches. RNP is familiar with a variety of ways for states to use PURPA in a balanced manner to promote competition and meet their utilities' load needs. We recommend that the PSC decline to adopt the Amendment, and begin to assess carefully whether specific problems actually exist with PURPA implementation in Montana. If the Commission finds problems, it should evaluate nuanced ways to solve those problems without taking the extreme approach of reducing the published rate threshold to 100 kW.

We appreciate the opportunity to comment on the Amendment.

RENEWABLE NORTHWEST PROJECT



Jeff L. Fox
Montana Policy Manager
615 S. Black Avenue
Bozeman, MT 59715
jeff@rnp.org

Public Comment #1805
Filed 6/28/2013 10:31:00 AM

Name: Susan Good Geise
Address: PO Box 12
City, State: Augusta, MT
Zipcode: 59410
Phone: (406) 396-4645
Email: msusangood@montana.com

Docket: 38 5 218
Case Name or Utility/Carrier Affected:

Subject: QF Rules

Comments: I strongly oppose the proposed rule on this issue.I visited Gibson Dam this week and was stunned by the majesty of the millions of gallons of water coming through the existing facilities currently installed in the structure. Obviously, this dam is designed to harness all that energy, rather than its being squandered. While it is beautiful, so too is this natural resource being used to provide affordable, efficient energy for our rural ag producers. The current situation is wasteful and serves no one. Please oppose the proposed rule. It chills honest, local competition for responsible, affordable energy. Let's hear it for local control. Oppose this rule.

Staff Comments:

Solem, Aleisha

From: Gessaman <rkkgessaman@gmail.com>
Sent: Friday, June 28, 2013 4:36 PM
To: Solem, Aleisha
Subject: Give Small Energy Developers a Chance

Dear Montana Public Service Commissioners:

Please **REJECT** Bill Gallagher's proposed QF rule change for the following reasons:

Small energy development equals JOBS! Small businesses - like small energy development - historically create jobs at a faster rate than large corporations like NorthWestern Energy. More small energy development will stimulate the local economy and provide employment for students from local educational institutions such as the MSU branch in Great Falls.

As reported in the Mike Dennison press story (http://missoulian.com/news/state-and-regional/small-renewable-power-developers-urge-psc-to-reject-rule-change/article_791b57d2-dd25-11e2-a37f-0019bb2963f4.html#.UcpBO3g60fM.email) about this proposed change, the only entity to speak in support of the rule change at the June 24th PSC hearing in Helena was NorthWestern Energy. I wonder why that was? Perhaps, NorthWestern desires to suppress competition. After all, NorthWestern Energy has "...resisted any contracts with small producers - unless forced by the current rule to do so." As was correctly stated also at Monday's hearing: "NorthWestern has vigorously blocked us at every turn, for the 20 years that I've been in this business," per Marty Wilde, a wind-power consultant from north-central Montana.

The existing rule is not a "giveaway" to small renewable energy producers because it treats renewable energy in the same way as the natural gas generation facilities that NorthWestern Energy wants to build and operate. This treatment seems more than fair because Montana rate payers are not forced to pay, via inclusion in the rate base, for small projects when such small projects fail or shutdown.

In the past, the PSC Commissioners have pledged their support for jobs; for the use of Montana's natural resources - of which wind is a very abundant one; for competition and free markets; and for promotion of Montana's economy. We would be very disappointed to discover that the PSC Commissioners have now renounced these principles.

Say NO to the proposed QF rule change and abide by your stated principles.

Sincerely,

Ron and Karen Gessaman
1006 36th Ave NE
Great Falls, MT 59404

Solem, Aleisha

From: Tom Glover <tomglover@mcn.net>
Sent: Wednesday, June 26, 2013 9:31 PM
To: Solem, Aleisha
Subject: Jobs, energy security, and a thriving energy market place in Montana

To the Montana Public Service Commission:

I support the efforts of small business in Montana to secure our future as prosperous Montanans.
Your choice: create a monopoly by choosing one winner. Northwestern Energy, create the circumstances of another failed company, a piggy bank for speculators like Montana Power;

or provide many paths to prosperity for all Montanans.

Examples provided by the website for the Natural Resources Defense Council. http://www.nrdc.org/energy/renewables/montana.asp

Sustainable Oils, based in Bozeman, creates fuels derived from camelina, an oilseed plant from the mustard family.

Montana Advanced Biofuels plans to open a $400 million plant in Great Falls that would employ 100 people, making ethanol and animal feed out of low-protein wheat and barley.

The Northwest Power and Conservation Council estimates the regional development potential of conventional geothermal power totals 416 MW over the next two decades -- enough to power more than 400,000 homes.

Montana has 15 geothermal sites already identified, with additional potential across most of the Bitterroot Valley and the eastern plains.

In Lake County, Flathead Electric Cooperative has received a federal grant to drill a well 2,000 feet deep to test the energy potential of hot water at that level.[14] If successful, this project could demonstrate the feasibility of generating energy from the hot water present at moderate depths in many areas of Montana.

According to results from a recent modeling analysis, a single 150-MW wind project in Montana would produce 806 jobs and $81.2 million in local economic activity during its construction phase. Operating the plant would generate 42 full-time-equivalent local jobs, $2.2 million in property taxes, and $6.1 million in economic benefit to the local economy each year.

Tom Glover
1318 16th St S
Great Falls, MT 59405
tomglover@mcn.net
Twitter: @BigSkyDem
Facebook: Friends of Tom Glover Great Falls, MT
http://tomglover.org
406-761-1309
406-788-6931

A small group of thoughtful people could change the world. Indeed, it's the only thing that ever has.
Margaret Mead

Read more: http://www.brainyquote.com/quotes/authors/m/margaret_mead.html#ixzz1di2Zgbf

Solem, Aleisha

From: Tom Glover <tomglover@mcn.net>
Sent: Thursday, June 27, 2013 6:23 PM
To: Solem, Aleisha; Travis Kuvulla
Subject: Montana Public Service Commission. The growth of renewables. 25%

The International Energy Agency said the world's renewable-energy capacity will grow 40% to take nearly 25% of the electricity market by 2018, with developing economies accounting for most of the increase. By 2016, renewable energy will outdistance natural gas and nuclear, the IEA said. However, predictable policies and rules are needed for the projected growth to happen, the agency said.

http://r.smartbrief.com/resp/eAgqCjwjzcCjhGreCidmreCicNsFmE?format=standard

Tom Glover
1318 16th St S
Great Falls, MT 59405
tomglover@mcn.net
Twitter: @BigSkyDem
Facebook: Friends of Tom Glover Great Falls, MT http://tomglover.org
406-761-1309
406-788-6931

A small group of thoughtful people could change the world. Indeed, it's the only thing that ever has.
Margaret Mead

Read more: http://www.brainyquote.com/quotes/authors/m/margaret_mead.html#ixzz1di2Zgbf

Solem, Aleisha

From: Brandon Hausmann <brandon@whitewatereng.com>
Sent: Friday, June 28, 2013 3:36 PM
To: Solem, Aleisha
Cc: Jeff L. Fox; Steve Marmon
Subject: ARM 38.5.1902 Public Comment Period
Attachments: Letter to Public Service Commission v1.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Ms. Solem,

Please find my attached comments pertaining to the possible change in capacity for qualifying facilities.

Sincerely,

Brandon Hausmann, PE | Engineering Manager | Whitewater Engineering | 3633 Alderwood Avenue, Bellingham, WA 98225 | Tel: 360-738-9999 |

www.TollhouseEnergy.com

June 28, 2013

Department of Public Service Regulation
Attn: Aleisha Solem
1701 Prospect Avenue
P.O. Box 202601
Helena, MT 59620-2601

RE: ARM 38.5.1902 pertaining to qualifying facilities

Dear Ms. Solem:

Our company, Gibson Dam Hydroelectric Company, LLC (GDHC) is a renewable energy company that was created to develop a 15 megawatt renewable hydroelectric project on Gibson Dam Montana. GDHC is a 50% partnership between Greenfields Irrigation District based in Fairfield Montana, and Tollhouse Energy Company based in Bellingham Washington.

Over a 25-year power purchase agreement the Gibson Dam Hydroelectric project would generate approximately $16 million dollars in county taxes. This would be county revenue that would be used in the community for needed programs and infrastructure such as schools, hospitals, and roads.

Per the FERC Environmental Assessment (FERC No. 12478) for the project the following economic benefits would occur if the project was constructed.

- 15 to 25 construction workers, many of whom would be recruited from the local area.
- During the 2 year construction period the workers would spend a portion of the $4 to $5 million in wages earned in the vicinity of the project.
- The project would create a short term demand for local goods and services that would contribute approximately $1 million to local material suppliers and other businesses.
- Long-term operation would require periodic employment of between one and five individuals for operations and maintenance.
- Operation of the project would provide an economical source of power to the region, helping to support future economic growth.
- Transmission facilities between the project site and Jackson's Corner would improve the efficiency and reliability of the power grid throughout the transmission corridor by stabilizing the existing voltage drops that occur in the distribution system and replacing existing, aging wood poles with more robust poles designed to modern standards.

Energy projects provide much needed economic opportunities for the hard hit rural counties of Augusta, Fairfield, and Choteau. One or two good paying jobs can make a big difference

to small towns. In Gibson Hydro's case we would create numerous short term jobs, and between one to five long term jobs at the facility.

Reducing the QF rate from 10 megawatts to 100 kW is an extremely negative step for the rate payers of Montana. It will ultimately drive power prices up in Montana, and drive developers out of the State killing revenue from the energy projects county taxes. In addition it would affect short term and long term employment associated with the energy projects.

Any new QF development is a good deal for ratepayers as it will occur at the current price set by the Commission based on the cost to build a natural gas plant at record low gas prices. And our costs, unlike volatile gas prices, are locked in for 20-25 years giving ratepayers certainty and reducing the potential impacts of price spikes and market manipulation.

There should be a varied price rate for QF facilities, distinguishing wind, and hydroelectric projects from each other. Hydroelectric projects are typically designed to last a minimum of 50 years and often with correct maintenance last as long as 100 years or more. The capital costs are typically realized over a 25-50 year period and provide fixed power prices to the consumer over a long term PPA contracts. Over the 50-100 year life the consumer benefits from a fully capitalized project by continuing to receive fixed low cost energy rates, in an era of ever increasing coal and gas prices.

In addition to the fixed low cost rates, hydro power projects produce predictable easy to manage electrical output. That results in lower costs in distribution, and load balancing costs which ultimately help the consumer. Unlike wind projects, hydroelectric projects don't rely on load balancing projects such as the Dave Gates natural gas plant. Hydroelectric in fact can be used as a load balance for wind projects. Yet again another cost benefit of hydro power that helps the consumer.

Reducing the QF rate to 100 kW is a negative step for hydroelectric development in Montana. This would eliminate competition for small hydroelectric developers competing against large utilities and will ultimately hurt the Montana ratepayers. This is only positive for utility company shareholders and bad for Montana. Over time this will lead to higher utility costs for ratepayers.

For the benefit of Montana rate payers, I urge you to **NOT** change the QF capacity from 10 megawatts to 100 kW. Consider raising the QF capacity from 10 MW to 20 MW and create a QF price rate difference between wind and hydro resources.

Sincerely,

Brandon Hausmann

Digitally signed by Brandon Hausmann
DN: cn=Brandon Hausmann, o=Whitewater Engineering, ou=Engineering, email=brandon@whitewatereng.com, c=US
Date: 2013.06.28 14:32:01 -07'00'

Brandon A. Hausmann, PE

GIBSON HYDRO

3633 Alderwood Avenue • Bellingham, WA 98225 • 360-738-9999
www.gibsonhydro.com

pat.ingalls@highlandhearing.net

To: FAX # 406-444-7618

From: FAX # 406-723-6660

From: <pat.ingalls@highlandhearing.net>
Date: Friday, June 28, 2013 3:48 PM
To: <To: asolem@mt.gov>; "psc.mt.gov"
Subject: RE: proposed amendment to ARM 38.5.1902

To: Secretary, Public Service Commission
asolem@mt.gov (this email address does not work)

Re: proposed amendment to ARM 38.5.1902

From: Pat Ingalls
pingalls@montana.com

Date: June 28, 2012

Our central Montana ranch is now providing for its fourth generation of family members. We raise cattle, sheep and also have a farming operation to provide feed. After the last member of the proceeding generation passed away, we paid an incredible amount in estate taxes, and still owe another $3 million, due in six more years. My brothers and I are all in our 60s, and want to continue operating the ranch until it is time to pass it down to the fourth generation. There will of course be another estate tax due at the time of our deaths. We can sell land to raise money, but the people that will purchase it will most likely be well-to-do out-of-staters who do not have the love and appreciation of the land that is inherent in our family. Ranching has always been a challenging business, but we love it.

We are involved with estate planning, and are searching for new markets for our ranching products. One potential product is electric energy from a wind powered generation plant constructed on our ranch. We have invested significant money in the pre development of a wind plant and the identification of potential customers for the energy produced. A ten Megawatt wind farm located on our ranch will help ensure that the ranch will stay in the family. It will help the tax base of the county, and would increase the need for new employment in the area. However, we are holding off from starting the interconnection study process until this proposed amendment is laid to rest.

This amendment reduces our choices in how to keep our ranch viable, and we along with other Montana ranching families in the same situation need to have as many options open to us as possible. We are willing to take on a moderate degree of risk in the hopes that such a wind plant will help us keep our land in the family, and we hope the state of Montana will also choose to do so. We urge you not to allow this amendment to pass. Thank you.

Pat Ingalls

Patricia Ingalls
pingalls@montana.com

Solem, Aleisha

From: Wolfinger, Michaela
Sent: Friday, June 28, 2013 1:54 PM
To: Solem, Aleisha
Cc: Moore, Louise (DEQ); Kaiserski, Tom
Subject: comments on ARM 38.5.1902 pertaining to qualifying facilities
Attachments: DOC062713.pdf

Comments from DEQ and MT Department of Commerce, Energy Promotion and Development attached.

Michaela Wolfinger
Program Assistant
Energy Promotion and Development Division Montana Department of Commerce mwolfinger@mt.gov
406-841-2030

MONTANA
DEPARTMENT OF COMMERCE

Tom Kaiserski, Program Manager
301 S. Park Ave. | P.O. Box 200501 | Helena, Montana | 59620-0501
Phone:406-841-2030 | Fax:406-841-2031 | TDD:406-841-2702 | http://commerce.mt.gov/energy

June 28, 2013

Chairman Bill Gallagher
Montana Public Service Commission
1701 Prospect Ave
Helena, MT 59620

Dear Chairman Gallagher:

This letter is being submitted on behalf of the Montana Department of Environmental Quality (MDEQ) and the Department of Commerce (MDC), two agencies directly involved in promoting the responsible development of Montana's varied energy resources, in response to the Montana Public Service Commission's (hereinafter referred to as the Commission) proposed rule change reducing the maximum size of qualifying facility (QF) projects eligible for avoided cost contracts from 10 MW to 100 kW. We have been contacted by small independent power producers whose message is clear; this proposed rule change will not be good for small power projects. It is the position of MDEQ and MDC that the Commission's proposed rule change would, were it enacted, negatively impact the course of energy, and consequently economic, development in Montana going forward. As a result, both departments urge the Commission to carefully consider the short and long-term effects the proposed rule change would have on the Montana electricity industry and to consider more targeted rule changes that would encourage the robust, yet economically responsible, development of small scale energy and distributed generation in Montana.

The 1978 Public Utilities Regulatory Act (PURPA) established a new class of generation facility known as a qualifying facility that receives distinct regulatory and rate setting treatment. The purpose of establishing beneficial treatment for QFs was to encourage the development of cogeneration and small power production facilities that would result in a more efficient and diversified energy system. The price certainty and relief from certain regulatory burdens has fostered the development of a number of energy projects in Montana that likely would not have otherwise been developed despite their cost-competitiveness. QF projects in Montana use a variety of energy resources as their fuel including waste coal, petroleum coke, hydro, and wind. Montana has a wealth of additional energy resources that have yet to be utilized in potential QF projects including biomass, geothermal, and even solar. Setting an avoided cost limit at 100 kW would effectively rule out the possibility of any of these emerging facilities taking advantage of the QF contracting option as 100 kW is generally considered too small to achieve the economies of scale necessary to meet published QF avoided cost rates. A 100 kW size limit would unnecessarily disadvantage small businesses seeking to participate in the state's electricity sector and likely lead to less diversity in Montana's future built generation.

MONTANA
DEPARTMENT OF COMMERCE

Tom Kaiserski, Program Manager
301 S. Park Ave. | P.O. Box 200501 | Helena, Montana | 59620-0501
Phone:406-841-2030 | Fax:406-841-2031 | TDD:406-841-2702 | http://commerce.mt.gov/energy

In addition to diversifying both the types of energy resources and companies generating electricity in Montana, QFs are a valuable price hedge for the state's electricity ratepayers. Because QFs sell their power through fixed price contracts set at Commission-approved avoided costs, QFs can help moderate the impact to ratepayers of spikes in fuel prices or high electricity spot market prices, both of which are not uncommon events as can be seen from the price spikes in natural gas in 2005 and 2008 and the high spot market prices of electricity in 2001 brought on by the California energy crisis.

Access to the existing avoided cost rates has allowed projects of differing sizes, utilizing a diversity of resources from across the state to be developed. These existing QF projects are generally located in rural communities where they provide real economic benefits in the form of well-paying jobs and much needed tax revenue as well as diversifying the income of rural landowners. The economic benefits of small and geographically distributed power generating facilities are important to Montana's rural communities and changing the size limit on avoided cost QF projects from 10 MW to 100 kW would dramatically reduce the likelihood of additional projects coming online. While it is not the role of the Commission to foster the development of a specific type or size of energy project, it is important to recognize that this proposed rule change will send a negative message to potential developers and investors regarding the stability and predictability of Montana's regulatory environment.

Finally, the Commission's proposed changes to the rate setting process will exclude public comment and review, effectively cutting out any opportunity for other interested parties to be involved in determining an appropriate avoided cost. While the intention of reducing time and costs of this rule change is appreciated, both agencies must again urge caution about the larger implications on the perceived business environment in Montana with the elimination of a currently transparent, and public process.

MDEQ and MDC understand that the Commission has concerns about what it considers to be the unfettered access of small electricity generating facilities to the Montana electricity market and the potential for negative impacts to the state's electric utilities and ratepayers. Both departments are mindful of the fact that an appropriate balance needs to be kept between providing nondiscriminatory access to the Montana electricity market for small electricity generators and protecting Montana utilities and ratepayers from an oversupply of non-dispatchable power. However, it is the opinion of both MDEQ and MDC that there are numerous other policy options available to the Commission to balance these competing interests and achieve the Commission's goals. A few potential mechanisms include instituting limits on the total generating capacity that can utilize a specific QF rate (e.g. QF Option 1(c)) or further and/or more frequent adjustments to the available rates for specific classes of QF. Such options would address the Commission's main concerns while still allowing Montana's small businesses to compete and demonstrate the commercial viability of utilizing Montana's strong geothermal, biomass, solar, or other natural resources to meet the state's energy needs.

MONTANA
DEPARTMENT OF COMMERCE

Tom Kaiserski, Program Manager
301 S. Park Ave. | P.O. Box 200501 | Helena, Montana | 59620-0501
Phone:406-841-2030 | Fax:406-841-2031 | TDD:406-841-2702 | http://commerce.mt.gov/energy

MDEQ and MDC are grateful for the opportunity to comment on the proposed rule change and welcome the opportunity to provide further information or clarification as the Commission may deem necessary. Surely there is a more reasonable solution that does not indicate Montana is inhospitable to the development of QF projects, especially when there are such great opportunities to develop Montana's vast energy resources and create economic opportunities for Montanans. We urge the PSC to exercise leadership and devise a solution that addresses all party's concerns by striking a balance between the legitimate interests of small power producers and incumbent utilities because facilitating the success of both will be good for the citizens of Montana.

Sincerely,

Tom Kaiserski
Program Manager
Energy Promotion and Development Division

Louise Moore
Bureau Chief
Energy and Pollution Prevention Bureau

Montana Department of
Environmental Quality

Solem, Aleisha

From: Debbie Kensinger <Debbie.Kensinger@unitedmaterialsgtf.com>
Sent: Friday, June 28, 2013 4:25 PM
To: Solem, Aleisha
Subject: Comments
Attachments: doc20130628171552.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Aleisha:

Attached are comments for the commissioners regarding the proposal to limit QF standard contract to 100KW or less. Would you please see that they each get a copy.

Thank you for you help.

Debbie Kensinger
Treasurer/Controller
United Materials of Great Falls, Inc.
Ph 406-453-7692
Fax 406-727-2439
debbie.kensinger@unitedmaterialsgtf.com

June 28, 2013

Kirk Bushman
Bill Gallagher
Travis Kavulla
Roger Koopman
Bob Lake

Re: Proposed 100KW Limit on QF standard offer contracts

Gentlemen:

I attended the public hearing on Monday, June 24, 2013, regarding the proposal to limit QF standard offer contracts to 100KW or less. I was impressed by the comments of all 12 of the opposing attendees and came away with an even stronger belief that passing this proposal would be a deep setback for the future of Montana residents and business owners.

As you know, United Materials owns a 9 MW wind farm in Great Falls referred to as Horseshoe Bend. The facility has been operating successfully since February 2006. I offer below a few short points to explain our opposition to this new rule.

- Horseshoe Bend has contributed to the local economy by creating jobs for operations and maintenance and has paid property taxes to date close the $1.5M. HB has been a good complement to UMGF's primary businesses.
- UMGF would have preferred to sell all of the output and RECs to NWE, but QF rates in Montana (at the time HB was being developed) were too low to finance the project. This led to selling most of the output to Idaho Power which has added considerable risk and complexity for UMGF. However, as a consequence HB has brought a substantial amount of revenue to Montana from Idaho, which has contributed to our state's economy and income tax coffers.
- UMGF is in active negotiations with NWE for a long-term contract for the summer months. We appreciate the language in the proposed rule that creates an exemption for projects that are renewing or rolling over previous contracts. This is vital for Horseshoe Bend's continued success.
- UMGF opposes the proposed rule because it would deny other Montana small businesses the opportunity to do future projects like HB and will leave our state lagging behind many other states where the legislators have begun to defend and protect the renewable energy projects because they realize the tremendous value these projects bring.

I have included herewith a copy of an article that demonstrates how Democrats and Republicans are uniting in other states to encourage renewable energy projects because they have seen the benefits in employment and support for the local economies. I hope you will take the time to read this short article as I believe it plainly demonstrates the future of renewable energy. Montana has an opportunity to be a leader in wind and hydro.

NWE will continue to build and defend their fortress, which is understandable. That is why the PSC must make the hard decisions to keep the balance and do what is best for the residents and business owners of Montana.

UMGF asks that you oppose this rule change for the stability that QF contracts can contribute to the future cost of power and the benefits that QFs can bring to our communities.

Renewable energy is coming. Instead of fighting it, Montana needs to embrace it proactively.

Thank you for your time.

Respectfully submitted,

Debbie Kensinger

Treasurer

United Materials of Great Falls, Inc., PO Box 1690, Great Falls, MT 59403 Ph 406-453-7692 Fax 406-727-2439

Is the Sun the Only Thing Powerful Enough to Unite Democrats and Republicans?

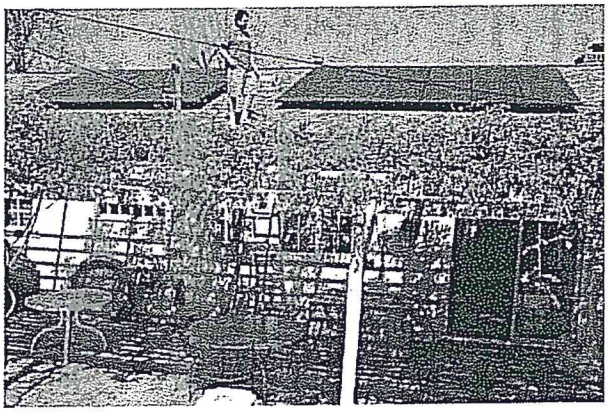
Renewable energy has recently garnered unlikely support from bipartisan legislators.

May 2, 2013 RL Miller

RL Miller

A climate blogger, RL is chair of the California Democratic Party's Environmental Caucus. Full Bio

Follow Me



Mike Jones stands next to solar panels on the roof of his home in Los Angeles, California, on March 18, 2011. The first month after the panels were installed Jones' electricity bill went down from $160 to $11. (Photo: Lucy Nicholson/Reuters)

A funny thing is happening on the way to conservative attacks on solar energy—some conservatives are championing renewable energy over fossil fuel interests. The reason is simple: It's called employment.

> "Businesses are employing people and making money on a slow shift to renewable power. In the windy Great Plains states, farmers pocket wind turbine lease money. In sunny California, there are more solar installers than actors."

It turns out that renewable energy, as popular as mom's apple pie with American consumers, is also good for American business. And now jobs-conscious legislators from both parties are listening.

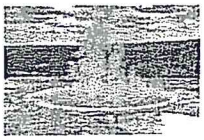
Renewable energy standards, or RESs—sometimes called Renewable Portfolio Standards (RPS), just to add to the alphabet -soup mix—require electric utilities to buy a percentage of their power from renewable sources, such as solar, and wind by a certain date.

These standards range from modest (Indiana wants its power to be 10 percent renewable by 2025) to ambitious (California requires 33 perecent by 2020). An electric utility can meet an RES law any number of ways, which vary by state. Buying electricity from a wind farm in a remote location or from a homeowner's solar rooftop are two common examples.

Alone, the RES laws won't make a huge dent in the United States' carbon pollution. But they're creating critical mass. Businesses are employing people and making money on a slow shift to renewable power. In the windy Great Plains states, farmers pocket money from wind turbine leases. In sunny California, there are more solar installers than actors.

On the other hand, the fossil fuel industry sees even a small RES as a threat to its business model. So it has partnered with the American Legislative Exchange Council to draft model laws delaying or repealing 22 states' RES laws.

After all, those laws are a government mandate that any freedom-loving state legislature would hate, right? But it hasn't worked out that way.



Earth: Your Fragile Planet (PHOTOS)

In North Carolina last week, Republicans helped defeat a bill that would have phased out a state RES. In doing so, they protected a multitude of jobs—including 300 that involve constructing mounting systems for solar panels. (However, a companion bill in the Senate was hastily deemed to have enough support to pass out of committee this afternoon.)

The Kansas win was even more striking: Home state Koch Industries' top lobbyist and anti-tax guru Grover Norquist both personally interceded for rolling back the RES, but they still couldn't convince Republican legislators that wind business is somehow bad business.

Arizona's politics trend conservative, but the desert state is a natural fit for solar power. A proposal to roll back the state RES failed in March as pro-business Republicans recognize the economic opportunities in renewables.

Within the last few days, Colorado's state House and Senate have each passed bills (expected to be combined and signed by the Governor) doubling renewable power, from 10 percent to 20 percent, for the state's rural co-ops. The change is expected to bring 10,000 jobs in renewable energy to the state.

Many battles will be fought in the months ahead, with attacks on RES laws most serious in Connecticut, Missouri, Ohio, Pennsylvania and Vermont. But the theme beginning to emerge is one of pro-business, pro-jobs rhetoric persuading state legislators of both parties.

Carrie Cullen Hitt, senior vice president of state affairs at SEIA, tells TakePart: "Efforts to roll back state renewable energy laws are being met by bipartisan opposition in states like North Carolina for a very simple reason—solar energy is driving economic and job growth from coast to coast. More than 90 percent of Americans think the U.S. should be developing more solar energy because it's clean, abundant and affordable."

Hilt adds, "The solar industry has grown from 15,000 employees in 2005 to nearly 120,000 today, making it one of the fast-growing sectors of the U.S. economy. What's more, these skilled workers are employed at more than 5,600 American companies—the majority of which are small businesses spread across all 50 states."

Here, what's good for American businesses is also good for America.

Would you consider working in alternative energy? Let us know in the Comments.

RL Miller is a climate blogger; on the executive board of the California Democratic Party's Environmental Caucus; editor of twitter-based policy news feeds for House Progressive Caucus and others, @PCNEnvironment and @PCNNatRes; speaker at Netroots Nation; and, in spare time, a practitioner of law and keeper of chickens. TakePart.com

NEXT ARTICLE

EPA: Poisoning the Largest Remaining Salmon Run Is Not a Great Idea

RELATED STORIES ON TAKEPART

Hawaii Senator Brian Schatz: 'Climate Change Is Urgent, Solvable, Human-Caused, and Real'

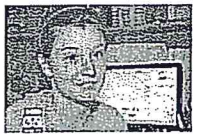
Ex-Sierra Club Chief Carl Pope: Why It's Time to Tax Carbon Pollution

Al Gore Weighs in on President Obama's Green Record, Fears for Environmental Policy Under a Romney Presidency

GET MORE

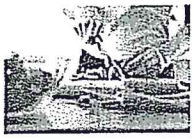
Environment, Solar Energy, Renewable Energy, Global Warming, Climate Change

TAKEPART'S MOST POPULAR



Teen Punished for Stopping Bullies From Harassing a Special Needs Girl

'Badass Teachers' Fights for Public Education



Jane Says: Kitchen Microbes Are Mobile, Smart, Altruistic and Must Be Defeated

ON OUR RADAR

White Bean Hummus with Fresh Thyme and Basil (FORKS OVER KNIVES)

Safe Sunscreen & Sun Protection: Your Questions Answered (KRIS CARR)

Sweet Potato Chili with Kale (FORKS OVER KNIVES)

How to Cleanse the Right Way (KRIS CARR)

Italian White Bean, Kale and Potato Stew (FORKS OVER KNIVES)

Solem, Aleisha

From: Ross Keogh <ross.keogh@gmail.com>
Sent: Friday, June 28, 2013 7:55 AM
To: Solem, Aleisha
Subject: Comments on ARM 38.5.1902
Attachments: Keogh Comments ARM 3851902, 6282013.pdf

Please see the attached, and confirm receipt.

Thanks,

-RPK

TO: **Montanan Public Service Commissioners**
RE: **ARM 38.5.1902**
DATE: **June 28, 2013**
FROM: **Ross Patrick Keogh**

I write at the request of Commissioner Kavulla, to provide my perspective on the underlying regulatory framework and economics driving market outcomes in the Montana electrical market. I have supported energy project development as a Senior Project Manager throughout the Western Interconnection. I have also had the opportunity to take an academic look at the regulatory issues that followed the—I think universally acknowledged—failure of deregulation in Montana.[1] Against this background I offer my perspective as a ratepayer residing in Missoula, MT. My comments are my own, and are not provided on behalf of any group or particular interest.

I. Reform of the market is needed.

The Commission has, I believe correctly, generally implemented a QF rate structure that aptly differentiates between the value of different resources on contract length and type. This heterogeneous rate structure has helped to accurately price each type of QF project, and effectively capture each resource's unique externalities (e.g. the wind integration tariff).

However, the rate structure is not complete, and probably never could be. Each QF project is unique, and offers the opportunity for a certain developer to make a significant windfall if their project is more efficient (through, say, a better wind resource) than the project that was the basis for the QF tariff rate. More problematic, as demonstrated in Idaho, is that a rapid fall in turbine prices coupled with the extension of federal tax incentives, can outpace the ratemaking process. Fixed avoided cost tariffs that seem to take over a year to change are just too slow to keep pace with changing market conditions.

The result is a poor deal for ratepayers. On one side, QF developers can reap significant windfalls. On the other side, ratepayers can miss out on amazing savings presented by QF projects. Current QF rates for a wind project, which internalize the cost of wind integration on the developer, represent a discount of about $15 per MWh from the average utility rate.[2] For an individual household, consuming 750 kW a month over 25 years, that premium is equal to $5,625. Over a 100,000 Montana households: $562.5 million.

I also believe that developers find the tariff sluggish. Wind integration is a great example. NorthWestern Energy largely completed their work on understanding the geographic impacts of wind project location on integration in the spring of 2011, but it was not until the fall of

---

[1] Ross Patrick Keogh, *Market Power and Regulatory Failures in the Montana Wholesale Electrical Market*, Dec. 2012, MA Thesis, University of Montana (http://etd.lib.umt.edu/theses/available/etd-01232012-140445/unrestricted/KeoghThesisEconomics.pdf).

[2] Assuming a project revenue rate of $48 per MWh, and the current Residential Energy Supply tariff at $63.649. (http://rates.northwesternenergy.com/residentialelectricrates.aspx).

2012—almost 18 months later—that an integration tariff was in place that reflected these relative incentives. During that time, 50 MW of new wind QF projects executed contracts. At least 20 MW was located in the zone that the wind integration tariff was trying to displace projects from.

Clearly, the rate making process of setting avoided costs is disconnected from market conditions. Even annual updates, as the Commission recently required, lack the speed to reflect changing market conditions (see, Order 7199d). Something needs to be done, and one solution, as the Commission has proposed here, is to just shut of QF development.

II. Shutting off QF development amplifies the larger problems in the Montana electrical market.

For the last 35 years PURPA has represented the only alternative to complete trust and faith in the utility's capacity to find the least cost electrical resource for consumers. Time and time again QF developers in a quest for profit have built QF projects. These projects stand as vivid examples that the utility was wrong. Each QF project is testament that private developers were able to find a cheaper outcome than the utility.

To flat out shut down economic competition for NorthWestern Energy by closing the door on new QFs represents a dramatic vote of confidence in the utility's capacity to correctly identify the least cost energy options for Montanans. It also leaves the Commission with precious few options to regulate the utility's actions. Montana's Integrated Resource Planning is largely non-binding, and the only regulation of energy supply contracts is through the "tracker"—a retroactive process that can't hold a utility's feet to the fire for poor decisions.

NorthWestern Energy is supposed to select least cost resources through a competitive solicitation. Yet when we look at how competitive solicitations are conducted in other western states, we see some dramatic differences. These, I believe, indicate that NorthWestern Energy's Competitive Solicitation process is deficient and is unable to select the least cost resource for Montana ratepayers. A few specifics:

- The solicitation is not conducted by an independent third party—like in other states. An independent third party ensures that the selected resource represents not just the utility's preference, often the plant that they intend to build, but the best deal for customers.
- NorthWestern Energy's process has a habit of allowing projects to morph from their original solicitation. Spion Kop is a great example. What started out as a request for Community Renewable Project (<25 MW) ended with an ineligible project (40 MW). Shifting the parameters mid-way through the RFP disadvantages participants who could not participate with projects designed to the utility's later revealed preference.
- The solicitation is not conducted on a routine or even periodic basis. The temporal uncertainty makes it very difficult for project developers to time projects to match NorthWestern Energy's procurement timetable. This leads developers to avoid sinking

capital into certain elements of due diligence, leading to immature projects when the RFP is announced, maybe, a month in advance.

III. The solution is an "independently administered, auction-based day ahead and real time wholesale market."

In the Energy Policy Act of 2005, Congress effectively exempted over two-thirds of the United States from PURPA. Only those electrical regions that lack an "independently administered, auction-based day ahead and real time wholesale market", or a central wholesale market, must continue to provide standard offer contracts for PURPA projects. Though I was originally skeptical of these market systems, over 20 years of implementation has shown that they effectively create efficient electrical markets.

In a central wholesale market, each generator, whether owned by the utility or a private entity, must bid into the market in real-time. The bidding establishes the optimal selection of energy resources for each load hour, including the necessary regulation, load following, and spinning reserves to ensure that demand is met. A new wind QF thus has the same ability to participate in the market as a coal generator that has been operating for 20 years. Each hour, the cheapest stack of resources wins.

This is not the place to go into the intricate mechanics of how these markets function, but suffice it to say they offer a real long-term benchmark for determining electrical prices and ensuring—in a stable manner—that ratepayers get the best deal. Market forces, instead of regulatory forces, drive the outcome.

Conclusion and Alternatives

Cutting off QF options for market participation is a risky gamble for ratepayers that the utility will get it right. A better option would be to aggressively support, if not require, the implementation of a day ahead real time wholesale market. At a minimum, it is critical that the Commission work to reform the competitive solicitation process in Montana.

There are other options, too. To the extent that this rule is about preventing a flood of wind QFs (that could compromise system reliability and force the utility into a legitimate energy surplus) PURPA already has a remedy: avoided cost. In Idaho, the state's regulatory commission adopted standard offer terms for a certain suite of projects (10 aMW) and an Integrated Resource Plan (IRP) Methodology for all other projects (< 80 MW). The IRP methodology was iterative and unique for each project, calculating a specific avoided cost based on that project's exact incremental value. It was not perfect, but it underscores that PURPA rates do not have to be linear. And, in fact, a declining PURPA rate might be appropriate (the first project gets x, the second gets x minus).

The benefit of identifying a declining avoided cost rate structure, or moving to market, has the added benefit of being legally sustainable. Already developers are petitioning FERC to

determine that NorthWestern Energy's competitive solicitation process does not offer QFs market access. My money is on the QFs. An adverse outcome for the utility at FERC could open, in one swoop, the Montana market to all wind projects 80 MW or less.

Finally, if the Commission does move forward with a cap, I urge that the cap be set at 500 kW. This capacity would still prevent all utility scale wind projects, but it would offer large scale solar projects an opportunity at market access. Already, 100 kW solar projects have been built, and I expect that many large retailers (Walmart & Costco) will be strongly considering large installations in the near future.

I appreciate the opportunity to comment, and look forward to working with the Commission to move Montana towards an integrated auction based electrical market.

Sincerely,

/s/

Ross Patrick Keogh
406-298-0991
ross.keogh@gmail.com
832 Cherry St.
Missoula, MT

Solem, Aleisha

From: Roger Kirk <roger@hydrodynamics.biz>
Sent: Friday, June 21, 2013 2:15 PM
To: Bushman, Kirk; Lake, Bob; Kavulla,Travis; Koopman, Roger; Gallagher, Bill; Solem, Aleisha
Subject: Proposed Changes to QF Rules

Dear Commissioners:

This coming Monday, the Commission is holding a hearing to re the size of potential PURPA QF projects to 100 kW.

As a developer of small hydro projects in Montana, we can state there are almost no projects under this 100 kW threshold that are economically feasible. Effectively, the Commission will termin independent power producers in Montana if it follows through w idea.

That will leave Northwestern Energy as the only entity that can projects. Monopolies are not good for being competitive. This troubling for the rate payer. The PSC is chartered to limit the pc monopolies, not to extend them.

The ranchers and farmers we work with see the PSC as interferi their private business - directly preventing farmers and ranchers developing resources on their land and improving their prosperit see it as a TAKING. How would you feel if you had these resou a government agency told you that you could not utilize them? Commission really favor reverting back to the policies that faile USSR with its monopolies?

How is this different than legislating from the bench?

We have developed small hydropower projects on irrigation syst Carbon County, we have developed projects in Park County, and recently revitalized an idle asset for Granite County by building entirely new Flint Creek hydro project that is now owned by Gra County. All of these projects have contributed to the local econ and ranches. Your proposed rule would have killed all of these p

We are working on new projects for a canal company made up o ranchers in Big Timber, the city of Helena has expressed interes generating hydropower using its potable water supply system, G County should have the opportunity to add additional hydropow future, the Broken O Ranch near Fairfield and the Cedar Creek F near Ennis have fairly significant opportunities for small hydrop and the State of Montana has existing dams with no hydropower them yet. Every ranch or farm that has a gravity feed irrigation s on it, or a canal with a drop structure, has the potential opportun small hydropower system by extending the use of an existing asset. Why is the Commission taking these rights away? Why c these landowners use their money to develop their resources on t property. If any of you are large landowners yourself, do you w look your neighbor in the eye and tell him he can't develop his property? It makes no sense. The energy that these projects pro historically lower cost than the energy provided by NW so wher rub there? The powersales rate for these projects is set by the Commission itself. (laborious hearings have only been necessar because the Commission won't tell NW to stop screwing around

The Flint Creek project that Granite County recently completed not have been able to obtain a powersales contract under this rul

it was, the contract could only be obtained by bringing a formal complaint in front of the PSC. That was after 5 years of "negotia with NW. NW does not like these projects, because we are the competition that makes power cheaper than they can.

But there is no reason that an out of state utility should be the so provider of power when our farmers and ranchers can produce th power at the same price the utility would get. These prices are s the PSC.

Please consider your actions. Our local farms and ranches shoul allowed to participate in this market - they can produce the powe better price than NW. Unlike all QF's, NW has never accepted t of being limited to a fixed price for its power – it always rate bas projects, recovers the capital costs, and then comes back for incr over time.

Although I doubt that NW is concerned about integrating any wi project that it would own, if huge wind farms are the concern, th may be some justification for some kind of limit there but don't hydro projects. We need them. Hydro projects provide the stea and most reliable power sources we have. The limit for hydro sh not be set below 6 MW.

Montana's own Congressman Daines is working to promote agr

hydro. This PSC action runs completely contrary.

Please reconsider this anti free market action.

Sincerely,

Roger Kirk

Hydrodynamics, Inc

Solem, Aleisha

From: Roger Kirk <roger@hydrodynamics.biz>
Sent: Thursday, June 27, 2013 1:27 PM
To: Bushman, Kirk; Lake, Bob; Kavulla,Travis; Koopman, Roger; Gallagher, Bill; Solem, Aleisha
Subject: Additional Hydropower Perspective Comments on Proposed Changes to QF Rules

Dear Commissioners:

I had a chance to speak with you in Helena on Monday, June 24th. Thank you for your time on this important matter.

I was very encouraged to see such good questions and obvious interest from you.

I just wanted to emphasize a couple of points with you and have arranged them in categories.

PROPERTY RIGHTS

Farmers and ranchers see the proposed Commission action as interfering with their property rights. They don't understand how a government agency could prevent them from using their money to add small hydro to their existing resources whether that is a gravity feed irrigation or canal system, or creek or a dam. Municipalities have similar hydropower potential on their systems.

RATES

QF1 rates are among the lowest in the Northwestern (NW) Energy portfolio. Present short term rates are lower than rates from NW's own projects - so why listen to NW throwing rocks at long term QF rates when their own long term rates are higher? There is a reason NW does not like participating in the avoided cost proceedings and it is self serving. It is against rate payer interest.

Just considering inflation, a 25 year QF contract is a boon to Montana.

If the information was not buried, NW wind project, Spion Kop, could likely be revealed to be the highest price wind power on the system. We will never know because it is rate based and many of its costs are hidden.

When PURPA was introduced over 30 years ago, utilities were forecasting that power rates from their new projects were escalating dramatically and would continue to escalate all across the United States. Small power producers all across the country took advantage of the rates utilities were charging. These QF projects stopped rate escalation dead in its tracks. Colstrip costs set the precedent for QF rates in Montana. Without PURPA, the utilities would still be building costly projects. Utilities are not able to compete with private free market competition. Today, rates for energy from new projects are pretty much the same as they were almost 30 years ago. Please do not lose sight of this. A healthy QF industry is important to rate payers.

Small producers only participate in the rate case hearings to get a reasonably fair powersales contract. If you kill small producers, there will be no rate information other than that which NW serves up. Farmers and ranchers need a level playing field with NW and then they can easily compete, and Montana rate payers are the winners.

Has anyone at the PSC noticed that prices go up when NW wants to build a project and then go down (to kill competition) when NW has no desire to build soon? I have been around in this business for 30 years and have that perspective. Because Commissioners terms are much shorter, it is difficult to see this.

QF rate information is important to rate payers – it provides information that helps the PSC determine what resources to commit to and whether the price makes sense. That is why NW Energy does not like these projects. Monopolies need regulation and competition. It is their job to extract the most funds they can from the Montana rate payer. QF rate case hearings are time consuming in Montana only because the utility is allowed to be so obstructive. The process is nearly automated in other states and takes little effort on anyone's part.

RELIABILITY

Hydropower is the best power we have. It is steady and reliable. There are no integration issues. Unlike utility management, utility engineers want our projects because they usually interconnect in remote areas where the powerlines are weak and need the voltage, power factor, and phase balancing support that hydro projects naturally provide. Because hydropower is simpler than any other form of utility grade energy production, it is rarely down for maintenance. Nine out of ten times, when we are knocked offline it is due to a fault coming from the NW Energy system. But we generally get back online right away - unlike utility projects, we are not paid when we are offline. Our availability factor is higher than any other resource type in Montana.

Because of the obvious values of hydropower, Idaho did not limit hydropower even though it recently limited wind. Unlike wind, there is no potential for runaway development with hydropower. Small QF hydropower should not be limited but certainly not less than 6 MW.

Distributed generation is inherently much more reliable. The US (with the military leading the way) and the entire world is going in this direction to improve reliability and reduce the threat of terrorism. A grid based on large centralized projects is easy for terrorists, economics or even nature to take down.

RECS

Ranchers and farmers don't have marketing departments to go looking for places to sell RECs so it is very unlikely that they will be sold to anyone other than the utility. Typically NW names their price.

INTEGRATION

We pay for all of our costs. Some Montanan's are enjoying the use of powerlines that we paid to upgrade. Hydropower has no integration issues. There are no give aways there – nothing like the heavily subsidized coal and gas industries.

ECONOMIC IMPACT

This is important income for farmers and ranchers that the Commission should not take away. This money stays in Montana.

Jobs – all jobs are local Montana jobs, additional jobs on the farm or ranch or in rural areas.

Taxes – these projects pay huge property taxes because they are capital intensive. The counties benefits from these taxes.

NUISANCE for NW

NW is already used to reading thousands of meters. That is their job. These projects are just another meter.

Standard Contract

NW likes to be obstructive in every possible way and they use the powersales contract for this purpose. Farmers and ranchers don't have the time or resources for this nonsense. Because there is no standard contract for producers in Montana, NW tries to insert draconian clauses designed to delay and kill the project – such as saying that they don't have to buy QF Power if they can find power on the spot market or elsewhere for a lower price, or at NW's sole discretion your contract can be cancelled. NW does not provide power with any of these contract provisions that small producers have to fight with them about. If they did, no one would be buying output from NW's own projects right now because the spot market is so low.

Farmers and ranchers should not be made to agree to contract provisions that NW would not agree to. Without a standard contract, NW will continue to beat up on farmers and ranchers. Only the most economical projects will make it through this NW imposed gauntlet and even then it is unlikely that NW will sign a contract without the QF having to bring a complaint to the PSC. Even Granite County had to file a complaint with the PSC to obtain a contract that was not punitive and onerous. I know that this is outside the intent of this hearing but please fix this.

Conclusion

Recent news is relevant. If Obama manages to get Colstrip 1 and 2 shut down and/or increase the cost of 3 & 4, it could be crippling for this state. We should be doing everything we can to encourage small independent producers.

If we (and the ranchers that we help) can produce a high quality long term product cheaper than anyone else, shouldn't we be allowed to?

Sincerely,

Roger Kirk

Public Comment #1799
Filed 6/10/2013 1:47:00 PM

Name: Thomas Layne
Address: 414 RAINIER COURT
City, State: MISSOULA, MT
Zipcode: 59806
Phone: (406) 546-8296
Email: talayne@msn.com

Docket: none specified
Case Name or
Utility/Carrier Affected: Amendment to ARM 38.5.1902, June 24

Subject: Mandatory Contracts for power at 100 Kilowatts

Comments: To the PSC. I am strongly in favor of the proposal to lower the limits of mandatory contracts from 10 megawatts to 100 kilowatts. I have been primarily involved in two hydroelectric dams proposed on the West and East Rosebud Rivers over the past three years. These were listed as 4 to 6 megawatt projects. They were opposed by a coalition of of environmental groups such as the greater Yellowstone Coalition, American Whitewaters, Firends of East Rosebud, the Stillwater Protection Association, and Northern Plains Resource Council, as well as over a thousand individual comments sent to FERC. "Renewable" energy is a worthy goal but comes with it's own cost. In the case of these dams there was real damage to the fisheries and wildlife as well as recreation. Mr Singer of the company building thes dams told me personaly that these dams are "cash cows" due to tax credits and mandatory contracts. I DO NOT THINK the public should be providing CASH COWS to private business. If the business model works on a competitive basis so be it.I also am a member of the Beartooth Electirc COOP and am paying for the disaster at of the never built coal plant at Highwood. WE SHOULD NOT BE SUBSIDIZING THESE BUSINESSES. NO ONE SUBSIDIZES MY BUSINESS.Thank you,Thomas A Layne

Staff Comments:

Solem, Aleisha

From: wwranch@3rivers.net
Sent: Tuesday, June 25, 2013 7:23 PM
To: Solem, Aleisha
Subject: [Fwd: Small renewable power developers urge PSC to reject rule change|||wwranch@3rivers.net has shared something with you]

Follow Up Flag: Follow up
Flag Status: Flagged

---------- Original Message ----------
Subject: Small renewable power developers urge PSC to reject rule change|||wwranch@3rivers.net has shared something with you
From: wwranch@3rivers.net
Date: Tue, June 25, 2013 7:17 pm
To: wwranch@3rivers.net

As a NWE ratepayer, rancher, and Chairman of Citizens for Clean Energy, Inc, we stand in support of small developers who are exercising their American right to compete and we don't need a NWE monopoly. Lt.. Col. (R) Rich Liebert, Eden RR, Great Falls, MT

http://missoulian.com/news/state-and-regional/small-renewable-power-developers-urge-psc-to-reject-rule-change/article_791b57d2-dd25-11e2-a37f-0019bb2963f4.html#.UcpBO3g60fM.email

Public Comment #1804
Filed 6/28/2013 9:05:00 AM

Name: Representative Kelly McCarthy
Address: 625 Yellowstone Ave
City, State: Billings, MT
Zipcode: 59101
Phone: (406) 839-0071
Email: kelly@bigskytech.net

Docket: none specified
Case Name or
Utility/Carrier Affected: Northwest Energy

Subject: Qualified Facilities

Comments: Dear Commissioners, I understand and agree with the notion that the government should not be in the business of telling people who they need to purchase from and at what price. In many contexts this flies against the free market that has served us well. However, we do not have a free market in Montana when it comes to electricity. Northwest Energy holds monopoly in most of the state. As a resident of Billings, I do not have the right to purchase energy from any producer that I chose. If I could, I would support a Montana small business, even if this meant paying a little more. Please consider this when deliberating on Qualified Facilities. Further limits will drive many small producers into bankruptcy and make it nearly impossible for new small business development in this arena.Sincerely,Representative Kelly McCarthy, HD-51

Staff Comments:

Public Comment #1803

Filed 6/25/2013 8:50:00 AM

Name: Carol Marsh
Address: 420 E. Front St., #2
City, State: Missoula, MT
Zipcode: 59802
Phone: 4065431038
Email: carolnhero@msn.com

Docket: none specified
Case Name or
Utility/Carrier Affected: Northwestern Energy

Subject: Proposed rule change on renewable energy

Comments: I oppose your proposed rule change shrinking the amount of renewable energy eligible for a guaranteed price. Montana needs more, not less, renewable energy. Every ounce of coal burned contributes to climate change, melting the glaciers in Glacier National Park, destroying our forests and building massive wildfires, shrinking the snow pack and drying our rivers, and destroying much of what we love about Montana. We must stop burning coal! Montana needs to encourage renewable energy as much as possible.

Staff Comments:

Solem, Aleisha

From: Carol <carolnhero@msn.com>
Sent: Tuesday, June 25, 2013 9:05 AM
To: Solem, Aleisha
Subject: Comment on proposed rule change

I am writing to oppose a proposed rule change that would shrink the amount of renewable energy eligible for a guaranteed price, described this morning on NPR. Montana needs to encourage development of renewable energy as much as possible. Every ounce of coal burned contributes to climate change that is melting the glaciers in Glacier National Park, destroying our forests, causing massive wildfires, shrinking the snow pack, drying our rivers, and destroying much of what makes Montana great. The horror of wildfire destruction happening now in Colorado can happen here. We have to stop burning coal and move to renewables as quickly as possible.

Carol Marsh
420 E. Front St. #2
Missoula, MT 59802
carolnhero@msn.com

Solem, Aleisha

From: Eric Bryson <EBryson@lccountymt.gov>
Sent: Friday, June 28, 2013 3:37 PM
To: Solem, Aleisha
Cc: Mike Murray; Susan Good Geise
Subject: Comment on QF Rate Change
Attachments: QF Rate Change.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

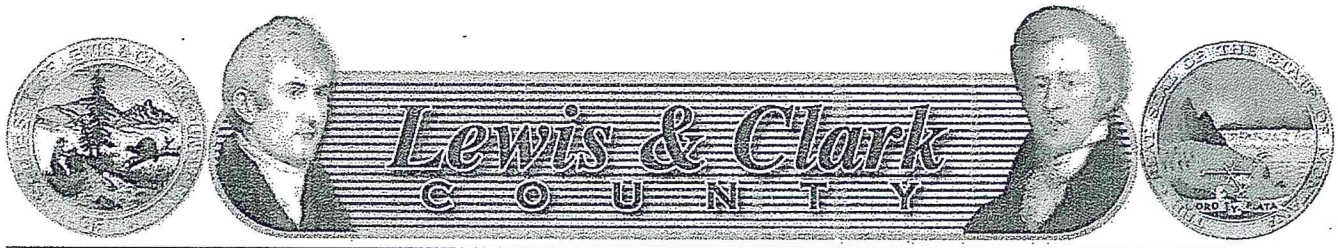
Please find attached a statement from Chairman Murray on the proposed QF Rate Change under consideration.

Sincerely,

Eric

Eric Bryson
Lewis and Clark County
Chief Administrative Officer
City/County Buildings, Room 346
316 North Park
Helena MT 59623

ebryson@lccountymt.gov
(406) 447-8311 Office
(406) 447-8370 Fax



BOARD OF COUNTY COMMISSIONERS

Andy Hunthausen Michael A. Murray Susan Good Geise

City County Building 316 North Park Helena, Montana 59623 406.447.8304 Fax: 406.447.8370

Department of Public Service Regulation
Attn: Aleisha Solem
1701 Prospect Avenue
P.O. Box 202601
Helena, MT 59620-2601

June 28, 2013

Dear Ms. Solem:

Changing the QF rate to 100 kw is a negative step for hydroelectric development in Montana, and as such I oppose the QF capacity change under consideration by the Public Service Commission.

The proposed change would eliminate competition for small hydroelectric developers competing against large utilities and will ultimately hurt the Montana ratepayers.

One example of the consequences of such a decision is the effort to generate hydro power at Gibson Dam. Gibson Dam is a federal non-powered dam that has been in existence for 84 years without producing the added benefit of electricity. Adding electricity to the dam will benefit the ratepayers of Montana.

It is estimated that over a 25-year power purchase agreement, Gibson Hydro would generate over $16 million in county taxes with a 15 megawatt generation capacity. Gibson Hydro will also bring needed jobs to rural communities like Augusta, Fairfield, and Choteau. Gibson Hydro plans to utilize local contractors and resources for construction and ongoing maintenance for the power project. This proposed change will eliminate the viability of the Gibson Hydro project.

Qualified Facilities (QF's) exists to add competition to the regulated utility market. If this market is unchecked by competition and regulation, rates will increase. Without competition from independent power producers there is a potential that Montana ratepayers would suffer.

For the benefit of Montana rate payers, I urge you **NOT** to change the QF capacity from 10 megawatts to 100 kw.

Sincerely,

Mike Murray, Chair
Board of County Commissioners

Montana Consumer Counsel

Robert A. Nelson
Consumer Counsel

Lawrence P. Nordell, *Economist*
Paul Schulz, *Rate Analyst*
Suzanne Snow, *Office Manager*
Jaime Stamatson, *Economist*
Mary Wright, *Attorney*

Telephone: (406) 444-2771
Fax No: (406) 444-2760

111 North Last Chance Gulch
Suite 1B
PO Box 201703
Helena, Montana 59620-1703

June 28, 2013

TO: Ms. Kate Whitney

FROM: Suzanne Snow

RE: ARM 38.5.1902 pertaining to qualifying facilities – Proposed Amendment

Enclosed are the original Comments of the Montana Consumer Counsel on the above matter. Thank you.

DEPARTMENT OF PUBLIC SERVICE REGULATION
OF THE STATE OF MONTANA

* * * * *

In the matter of the amendment of ARM 38.5.1902 pertaining to qualifying facilities	)))	NOTICE OF PUBLIC HEARING ON PROPOSED AMENDMENT

COMMENTS OF THE MONTANA CONSUMER COUNSEL

In accordance with ¶ 4 of the Department's May 13, 2013, Notice of Public Hearing on Proposed Amendment, the Montana Consumer Counsel (MCC) submits these written comments.

The Commission proposes to amend ARM 38.5.1902, reducing the maximum size of a qualifying facility (QF) eligible for a standard offer tariff without having to participate in a competitive solicitation from 10MW to 100KW. 100KW is the minimum level set by Federal regulations. A minimum size threshold has been in place in Montana for over twenty years. MCC opposed the increase from 3MW to 10MW in 2007, and subsequently supported a proposed decrease from 10MW to 2MW in 2011. The Commission did not adopt the latter change, and the size limitation is currently 10MW.

Competitive solicitations are a useful and necessary check on efforts to estimate avoided cost by analytical modeling. NorthWestern Energy's comments at the hearing in this rulemaking proceeding underscored that point. Given the current environment where knowledge and understanding of the cost and availability of regulation service for wind generation is rapidly changing, along with costs of other potential resources, competitive solicitations are preferable to modeling as a way of measuring avoided cost. MCC has previously opposed the higher 10MW competitive solicitation threshold because larger

Respectfully submitted June 28, 2013.

Robert A. Nelson
Consumer Counsel
Montana Consumer Counsel
P.O. Box 201703
111 North Last Chance Gulch, Suite 1B
Helena, Montana 59620

Written Comments of NorthWestern Energy

For 100 kW Rulemaking MAR Notice # 38-5-218, June 28, 2013

Introduction

On May 23, 2013, the Montana Public Service Commission (Commission or MPSC) published a proposed amendment to ARM 38.5.1902, rules pertaining to Qualifying Facilities (QFs). NorthWestern Energy (NorthWestern) is pleased that the Commission has decided to address its QF rules, and with one exception (see page 6), recommends that the Commission adopt its proposed rule as written.

Background

The Public Utility Regulatory Policies Act (PURPA) was enacted in 1978 as part of President Carter's response to the oil embargo of 1973-74. PURPA was put in place to, among other things, encourage: 1) conservation of energy supplied by electric utilities; 2) efficiency of electric utility facilities and resources; and 3) equitable rates for electric consumers (PURPA section 101). Section 210 of PURPA requires electric utilities with loads greater than 500,000 MWh/year to buy energy and capacity from facilities that meet the Federal Energy Regulatory Commission's (FERC) requirements for ownership, size and efficiency. These facilities are known as QFs. Prior to PURPA, most, if not all, public utilities were vertically integrated and there was; no open access transmission, no wholesale electricity market, and no requirement to interconnect generation. PURPA requires utilities to purchase energy from QFs based on an avoided cost pricing structure.

PURPA is a federal mandate, but is implemented at the state level. In 1981, the Montana Legislature enacted a PURPA-related law (see § 69-3-601 et seq., MCA). That law is often referred to as "Mini-PURPA". The law entitles QFs to contract for the

sale of electricity to public utilities regulated by the MPSC. Also in 1981, the MPSC adopted rules that established the first avoided cost rates applicable to QFs (see ARM 38.5.1901 et seq.).

In 1993, the Montana Legislature enacted the Integrated Least-Cost Resource Planning and Acquisition Act, although the Montana Power Company (MPC), NorthWestern's predecessor, had formed a Least Cost Planning Advisory Committee and had been involved in integrated resource planning since 1987.

In 1997, the Montana Legislature enacted the Electric Restructuring Act, requiring MPC to remove its generation resources from rate base. The remaining distribution utility became the energy supplier of last resort, known as the "default supplier." In 2003, the Commission established Supply Procurement Guidelines for default supply.

In 2005, the Montana Legislature enacted the Renewable Portfolio Standard (RPS), requiring NorthWestern to acquire renewable resources.

In 2007, the Montana Legislature enacted the Electric Reintegration Act, which limited customer choice, reintegrated default supply customers, and promoted the development of a vertically integrated utility.

In 2011, the Commission published Rulemaking MAR Notice # 38-5-214, a proposed rule very similar to these proposed QF rules. The Commission took no action on that proposed amendment.

In 2013, the Montana Legislature passed HB188, a bill that would have limited standard offer contracts to QF projects with a design capacity of 3 MW or less. This limit would have been reduced to 100 kW or less once the total amount of QF development equaled or exceeded 15% of a utility's daily load. Governor Bullock vetoed HB188.

As demonstrated above, the development of electricity supply policy in Montana has undergone many changes and all of these changes have directly affected NorthWestern. The Commission should consider electricity supply policy in total as well as the current state of QF development as it contemplates changing its QF rules.

Discussion

NorthWestern and its predecessor have a long history of negotiating and administering QF contracts in Montana. NorthWestern currently has contracts with 28 QF projects with a total installed capacity of 165 MW. Historically, QF projects under contract to NorthWestern have varied widely in terms of size, location, fuel type, and project type. More recently, QF development in Montana has focused primarily on wind projects. This escalation in wind QF activity is due primarily to a prior Commission rulemaking in which the Commission increased the design capacity limit from 3 MW to 10 MW, allowing larger QF wind facilities to sign contracts at QF-1 Tariffed rates. NorthWestern does not have a "QF queue," but is aware of QF developers' interest in obtaining standard offer QF contracts. Currently, developers are showing an interest in developing 11QF wind projects representing about 110 MW of installed capacity.

NorthWestern and its retail customers are subject to three principle renewable resource mandates: 1) the PURPA mandate to purchase power from eligible QFs; 2) the requirement to annually purchase a percentage of power from eligible renewable resources under RPS; and 3) the requirement that a certain amount of renewable resources come from Community Renewable Energy Projects (CREP). From NorthWestern's perspective, the key values of renewable resources are the Renewable Energy Credits (RECs) that they provide, which help NorthWestern comply with RPS requirements, and the installed capacity they may provide to help meet NorthWestern's CREP requirement. Since the QF-1 Tariff rate does not require that the RECs be included with the power generated, new QF resources will not necessarily help NorthWestern meet its RPS obligation. Similarly, NorthWestern cannot require that new

QF-1 resources be CREP eligible. Without this proposed rule change NorthWestern may be required to purchase the output of larger renewable QF resources without receiving any benefits that would allow it to meet its RPS or CREP obligations.

NorthWestern supports the Commission's proposals regarding competitive resource solicitations. The Commission currently has in place a robust set of rules regarding competitive solicitation (ARM 38.5.2001 through 38.5.2012 and 38.5.8201 through 38.5.8229). Requiring larger QF resources to participate in competitive resource solicitations will allow NorthWestern to evaluate the total all-in cost of proposed resources, including the cost of transmission upgrades (if needed) and the value of the RECs. NorthWestern also supports the Commission's proposal to remove the all-source requirement from the rule. Removing the all-source requirement will allow NorthWestern to issue resource solicitations tailored specifically to the products and resources for which it has identified a need. The revised design capacity limit combined with the revised rule on competitive solicitations will benefit ratepayers by allowing NorthWestern to acquire renewable resources in a least cost manner.

Last August, NorthWestern issued an RFP for CREP eligible generation projects. Twenty-nine proposed projects were evaluated and NorthWestern recently selected a single finalist; a 20 MW wind project located in Valley County Montana. The long-term 20-year fixed price for the Purchased Power Agreement (PPA) is expected to be less than $40/MWh. The result of this competitive process is a rate that is over $8/MWh less than the current QF-1 Tariff Option 1(c) rate. The real difference is even greater since the CREP project includes environmental attributes, while a QF project would not (they would have to be negotiated for separately at an additional cost).

The proposed rule changes regarding competitive resource solicitations are consistent with PURPA. At the hearing on this proposed rule, representatives of current and potential QFs attacked NorthWestern's administration of competitive resource solicitations and asserted that a QF had never been chosen in a competitive

solicitation. Turnbull hydro is an example of a "QF-type" resource that NorthWestern obtained using an RFP process. The Turnbull hydro project began as a respondent to a NorthWestern renewable RFP (June 2008). Ultimately, NorthWestern contracted with Turnbull as a 13 MW CREP resource. Competitive resource solicitations, as shown by these examples, do work and they work to the benefit of NorthWestern's customers.

FERC requires that state commissions publish avoided cost rates for small QFs with a design capacity of 100 kW or less and provides commissions with the discretion to set the published avoided cost rate for facilities greater than 100 kW. In the past, the Montana Commission has required published QF rates for facilities with a design capacity limit of 3 MW. More recently, the Commission increased the design capacity limit to 10 MW (2007 MAR, 2140 (December 20, 2007)). In the order discussing a proposed increase in design capacity limit, the Commission noted; "This threshold appears reasonable given thresholds and orders adopted in other states (*e.g.*, Oregon, Idaho) and admitted into evidence in this proceeding, and FERC's recent rules implementing the 2005 Energy Policy Act." Order No. 6501(f), ¶ 193. NorthWestern notes that Idaho recently reduced its applicable standard offer QF tariff from a design capacity limit of 10 MW to 100 kW for intermittent resources. This action in Idaho was largely due to the sizable quantity of new wind projects already signed by Idaho Power. To date, the 50 MW installed capacity limit has protected NorthWestern's customers from excessive wind development. With the potential lifting of the 50 MW installed capacity limit, Montana could be placed in a similar situation to that of Idaho. The adoption of a 100 kW design capacity limit will provide a similar level of customer protection and will lessen NorthWestern's concern that the 50 MW installed capacity limit remain in effect.

On June 24, 2013, the Commission held a hearing on the proposed rule change. Comments from those opposing the rule change seemed to suggest that the Commission should provide rules and processes that tilt the playing field in favor of the QFs and that they have an absolute right to a profitable contract. These comments

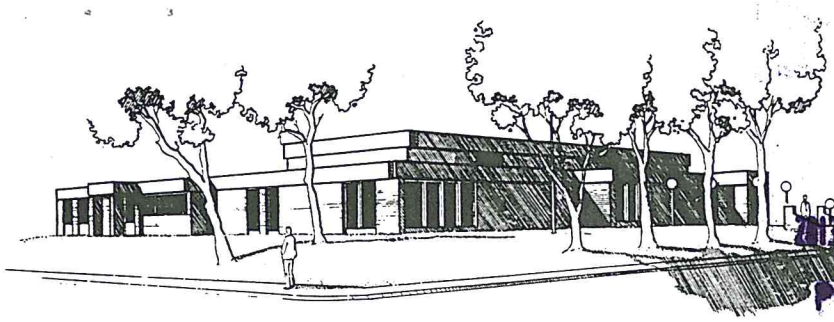
reflect a basic misunderstanding of the purpose of PURPA – which is to provide QFs a level playing field while preserving consumer indifference. Some opposing the rule change suggested that the rules should be preserved "as is" because the development of larger QFs provides jobs and directly benefits Montana's economy. The Commission should not be misled by this argument as it ignores the economic impact of potential rate increases to NorthWestern's customers. Additionally, of the five most recent wind QF contracts (nearly 50 MWs) only one will keep the profits from its project in Montana. Of the four other projects, two developers are based in other states (Illinois and New York) and two are based in China. During the hearing, comments were also made that QFs are among the lowest rates in NorthWestern's portfolio. According to the recently filed Electricity Supply Tracker (Docket No. D2013.5.33), this statement is clearly not true. In fact, these are the highest priced purchased power contracts. (See Exhibit__(FVB-1) 12-13 attached to the testimony of Frank V. Bennett showing that for the 2012-2013 tracker year the total cost of the QF-1 Tariff Contracts averaged $64.06/MWh). Given this fact, if the standard offer rate were limited as proposed by this rule, the effect on customers' rates from QF contracts would be lessened and thus be consistent with PURPA's requirement for customer indifference. Others opposing the rule change suggested that the current 10 MW limit makes for "interesting" QF-1 rate hearings; this is not a valid reason to retain the current 10 MW limit.

At the hearing, NorthWestern became aware that the language, intended to grandfather existing renewable resource QFs, such as United Materials of Great Falls, would in-fact grandfather all existing QF contracts. For this reason, NorthWestern recommends that the Commission add the following language to Section 7, to limit this section to QF projects with a design capacity of 10 MW or less:

> (7) A qualifying facility with a design capacity of 10 MW or less that entered into a contract with a utility prior to July 1, 2013, will not be subject to the 100 kW size limitation for the purpose of obtaining a new or extended contract.

Conclusion and Recommendation

Again, NorthWestern would like to thank the Commission for being proactive in its approach to QFs. The Commission's proposal to reduce the eligibility limit for long term standard offer rates from 10 MW to 100 kW is consistent with PURPA and is clearly within the Commission's discretion. NorthWestern recommends that the Commission approve its proposed amendment to ARM 38.5.1902 as written, with the one exception that Section 7 be changed to apply only to current QF contracts with a design capacity of 10 MW or less.



Valley County

501 Court Square #1
Glasgow, Montana 59230

Phone: (406) 228-6219
Fax: (406) 228-9027

June 25, 2013

Department of Public Service Regulation,
1701 Prospect Avenue, P.O. Box 202601,
Helena, Montana, 59620-2601;

Re: Amendment to ARM 38.5.1902

The Valley County Commissioners would like to send this letter in support of small Renewable Energy Producers. Our County is sparsely populated and we encourage any development that would benefit our taxpayers through the collection of tax revenue and impact fees that would supplement county services. We are always looking for ways to increase the infrastructure of the county and small Renewable projects would be the way to do this.

There has been interest shown to utilize the wind energy in our County. Capping quality small power production facilities at 100KW, as proposed, will stop small wind development in Montana. Shutting down these small wind projects will impact the struggling economies of rural counties like ours significantly.

We respectfully request your assistance in voting ***AGAINST*** making a rule change on ARM 38.5.1902 from 10MW to 100 KW, and continue to support the taxpayers of Montana.

Thank you for your consideration in this matter.

Sincerely,

David L. Pippin, Chairman
Board of County Commissioner
js

Solem, Aleisha

From: Diego Rivas <diego@nwenergy.org>
Sent: Friday, June 28, 2013 1:14 PM
To: Solem, Aleisha
Subject: FW: comments on QF rule
Attachments: NWEC Comments_ARM 38_5_1902_QFs.docx

Aleisha,

Attached please find comments on behalf of NW Energy Coalition regarding the proposed amendment to ARM 38.5.1902.

Thanks,

Diego

--

Diego Rivas
Montana Policy Associate
NW Energy Coalition
(406) 461-6632
diego@nwenergy.org

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

In the matter of the amendment of ARM 38.5.1902 pertaining to qualifying facilities	)))	NOTICE OF PUBLIC HEARING ON PROPOSED AMENDMENT

Comments of the NW Energy Coalition

Please accept these comments on behalf of the NW Energy Coalition (Coalition) regarding the proposed amendment to ARM 38.5.1902 pertaining to qualifying facilities (QF) under the Public Utilities Regulatory Policies Act (PURPA). The NW Energy Coalition is an alliance of more than 100 environmental, civic, and human service organizations, utilities, and businesses in Oregon, Washington, Idaho, Montana, Alaska and British Columbia.

The Coalition believes that the current wording of ARM 38.5.1902 provides superior value to Montana bill-payers over the proposed changes; therefore, the rule should not be amended. Specifically, the threshold for the standard offer provisions for qualifying facilities should remain at 10MW and should not be reduced to 100kw as proposed by the amendment.

Good Government and Transparency

The Coalition believes that this rule making process has been deficient and lacks transparency. The Commission has given extremely vague reasoning as to why it is attempting to make the proposed changes, citing only "exceed[ing] minimum requirements" and "economic and public policy reasons." We feel that these "reasons" do not meet the standard for good, transparent government operations and appear to conceal any true motives that the Commission and/or Commissioners might have. We ask that the Commission be more forthright in divulging its intentions prior to undertaking rulemaking processes.

Northwestern Energy is "different"

As the Commission is no doubt aware, the Idaho Public Utilities Commission recently lowered the threshold for the standard offer rate from 10 MW to 100 kw for intermittent resources, namely wind and solar. While the Coalition does not support the Idaho PUC decision, it should be noted that Idaho Power was and remains in a very different resource position than does Northwestern Energy (NWE). Montana's largest utility often claims that it should be treated differently due to its lack of resource ownership. The QF arena is one area where this claim rings true. The Commission should not draw any

conclusions from Idaho's rule changing process due to the vast differences between utility structures in each of the Commissions' jurisdictions.

In its most recent Integrated Resource Plan (IRP), Idaho Power lays out its resource mix and states, "In 2010, 86 percent of Idaho Power's supply of electricity came from company-owned generation." An additional 8% of Idaho Power's portfolio is shown to be taken up by long-term power purchases, leaving only 6% of the portfolio subject to short-term market purchased power.[1] Clearly, Idaho Power's need for additional resources is limited, thereby making a reduction in the QF standard offer threshold a legitimate, albeit faulty, proposition.

The Commission would be wise to contrast Idaho Power with the current status of Northwestern Energy's resource mix. It is no secret that NWE has a large resource gap to fill, owning only 31% of its portfolio. In fact, NWE must procure 8 mil MWh over the next 5 years, or 24% of the portfolio, and fill a 56 mil MWh gap over the next 20 years, or 38% of the portfolio. [2]

It is questionable, then, why the Commission seeks to limit the options available to NWE when the need for further resource acquisition clearly exists. Furthermore, the ability to acquire QFs puts downward pressure on overall market prices, as the utility and other competitors must compete with the avoided cost rate.

QFs provide stability

There exists an incorrect public perception that renewable energy generation is more costly than other sources. Yet, the avoided cost rate, mandated by PURPA as a means to ensure cost-competitiveness and set by the Commission, ensures that QF contract prices are equal to or less than what it would cost for the utility to generate the power. If the Commission is worried about the costs of these contracts, i.e. the avoided cost, perhaps it should address these issues in a contested avoided cost docket.

Furthermore, the Commission would be more apt to inquire into the high costs of other recent resource acquisitions, such as Colstrip 4, and potentially costly future construction, such as a large, rate-based natural gas plant as laid out by recent NWE procurement plans. In fact, a 2011 report conducted by Commission staff shows that QF-1 contracts make up 0.19% of NWEs portfolio and contribute wholly 0.09% to NWEs supply rate. (Note: recent QF contracts increase the portfolio makeup to nearly 2%; however, the fact remains that QFs make up an extremely small amount of NWEs total portfolio and contribute even less to the overall supply rate). In contrast, the report shows that Colstrip Unit 4 makes

[1] Idaho Power, 2011 Integrated Resource Plan, June 2011, Pages 25-26
http://www.idahopower.com/pdfs/AboutUs/PlanningForFuture/irp/2011/2011IRPFINAL.pdf
[2] Northwestern Energy 2011 Electricity Supply Resource Procurement Plan, Volume 1, Chapter 1
http://www.northwesternenergy.com/documents/defaultsupply/plan11/Volume1/Volume1Chapter1.pdf

up 18% of NWEs portfolio and contributes nearly one-fourth (23%) to the residential electric supply rate.[3]

Part of the reason for this difference in cost is that renewable QFs provide NWEs bill-payers a stable rate spanning decades with no fuel costs. A large thermal unit like Colstrip, on the other hand, is subject to the price volatility of the fuel input – in this case coal – as well as the potential for further environmental regulations. A natural gas plant, currently used for setting the avoided cost rate, is also subject to large swings in fuel costs, leaving bill-payers largely exposed to market forces.

QFs should not be a political football

NorthWestern Energy and the Commission should consider potential consequences to using extreme tactics in regulating QFs. A key component to good regulation is stability and the Commission should be weary of further changes to the rule upon changeover of Commission members should the 100kw amendment be adopted. There likely exists a number to which most, if not all parties can agree. 100kw is not that number.

The intended purpose of PURPA is to "promote alternative energy sources and energy efficiency, and to diversify the electric power industry." Equally important, the law "create[d] a market for power from non-utility power producers," which had previously been barred from owning and operating electric generating plants.[4] Montana, and Northwestern Energy specifically, are uniquely situated to provide bill-payers the many benefits provided by PURPA. The Public Service Commission has provided inadequate reasoning for its proposed rule change, a change that could prove costly for Montana bill-payers. We urge the Commission to reject the proposed amendment.

Thank you for the opportunity to comment.

Sincerely,

Diego Rivas

Diego Rivas
Montana Policy Associate
NW Energy Coalition

---

[3] Brown, Jason, *Electric Supply and Residential Rates of NorthWestern Energy*, Montana Public Service Commission http://psc.mt.gov/Consumers/energy/pdf/NorthWesternElectricRateGraphs.pdf

[4] *Public Utility Regulatory Policy Act (PURPA),* Union of Concerned Scientists, http://www.ucsusa.org/clean_energy/smart-energy-solutions/strengthen-policy/public-utility-regulatory.html

Solem, Aleisha

From: Bryan Rogan <brogan@oversightresources.com>
Sent: Friday, June 28, 2013 1:03 PM
To: Solem, Aleisha
Subject: Gordon Butte Wind Comments-Public Hearing 6/24/13 Qualifying Facilities
Attachments: PSC Comments-Gordon Butte Wind.pdf; Exhibit A.pdf; Exhibit B.pdf

Hi Aleisha,
Please find attached comments from Gordon Butte Wind, LLC from the public hearing on June 24th regarding ARM 38.5.1902 (Qualifying Facilities).

Can you please confirm receipt of our comments?

Thank you,

Bryan Rogan
Oversight Resources, LLC
1087 Stoneridge Drive, Suite 2E
Bozeman, MT 59718
Brogan@oversightresources.com
Office: 406-586-8440

Gordon Butte Wind, LLC
1087 Stoneridge Drive, Suite 2E
Bozeman, MT 59718
406-586-8440

June 28th, 2013

Montana Public Service Commission
RE: Amendment of ARM 38.5.1902 pertaining to qualifying facilities

Dear Commissioners,

I would like to submit the following comments regarding the proposed rule change regarding the size of QF facilities in Montana.

Background of Gordon Butte Wind ("GBW"):

- 10 megawatt QF project located near Martinsdale, Montana
- 7 years to develop, constructed in 2011, and commercial operation in January of 2012.
- Economic impact to the state and local economy was approximately $4.58M during construction, and estimated to be $24M over the lifetime of the project.
- County tax revenue received from the project is approximately $2.193M over the life of the project, a windfall financial benefit to Meagher County and very significant for them.
- Additionally, the project is 100% CREP qualified (requirement is only 50%), which means the profit's from the project will be in addition to the economic impacts stated above.

What QF's provide:

- Benefits from QF's are long term, fixed cost, non-escalating power rates. The rate that Northwestern pays GBW for our generation is $69.21/Mwh. This rate will remain the same for the 25 year lifetime of the project. So in 2032 Northwestern will still be paying us $69.21 for our generation. It is difficult to understand why this would not be an attractive option to Northwestern in providing least cost stable rates for it's ratepayers.
- QF's also provide an economic benefit to local and state economies as mentioned above.
- In addition QF's improve and upgrade an aging transmission system. In order for projects to interconnect into Northwestern's system they often have to incur Network upgrade costs so the project can safely interconnect the requested amount of capacity into their grid. Although the projects are paid back over time for those upgrades, it is the project developers who put up the cash upfront and take on the risk associated with such projects.

Montana Energy Policy:

I would like to draw your attention to the Montana Energy Policy (MCA 90-4-1001), and specifically Section 1(s): "develop contracts between qualifying small power production facilities, as defined in 69-3-601, and utilities, which facilitate the development of small power production facilities by identifying fair and reasonable costs for integration of their power". This policy statement does not promote the elimination of QF's, which is exactly the intent of the proposed rule in front of the Public Service Commission now. Rather the policy statement promotes

establishing fair pricing for QF's, and just because the PSC feels it has been incapable of establishing fair pricing does not mean QF's should be outright eliminated.

Pricing:
I've attached **Exhibit A** and **Exhibit B** to illustrate the price comparison between GBW's QF rate and the current QF rate, compared to historical rates and projected future rates in Montana. You will see that over the long term both QF rate's are very competitive assuming the trend's for the cost of electricity are the same for the next 20 years as they were for the previous 20 years.

Below is a detailed explanation of how I calculated the projected rates (2012-2032), and although electric rates are generally complex and often times difficult to interpret, I feel a broad and generalized approach like the one I've taken is reasonable and rational when looking at trends over a 20+ year period. When considering the rates I've projected please keep in mind that they DO NOT reflect the value of the REC's. The REC's are simply a "bonus" to Northwestern for which GBW receive's no additional revenue. Lastly, in my opinion the question to ask oneself is whether or not you want to "bet" on cheaper prices in the future and therefore ignore opportunities to take on long-term competitive pricing today? If one makes the bet that energy costs are going to decrease over time and it turns out they don't, that bet will result in costly consequences to Montana ratepayers and the Montana economy as a whole. I can't think of anyone who can say with a straight face that energy prices are going to go down as we move into the future.

Long Term Rate Calculations:
To do this comparison some adjustments to the rates were required. The average rates used for the 1990-2011 time period were obtained from the Energy Information Administration and represent the "all-in" cost to the ratepayer which includes generation and delivery. Generally speaking the cost of energy to the end user is 60% for generation and 40% for delivery. Because the QF rates only represent generation costs a direct comparison could not be made without making some adjustments. One could either reduce the EIA pricing by 40% to "remove" the delivery costs from that pricing, or one could "add" delivery costs to the QF pricing by increasing the QF rate by 40%. I have provided both and as you will see there is a slight difference depending on which method used. I am not a statistician so I cannot provide a clear explanation for why the difference exists in these two methods, but I presume it is the result of how the pricing is adjusted over time in both scenarios. Either way, both examples provide a best and worst case scenario which illustrates over the long term how both the GBW QF price and the current QF price provide cost competitive long-term generation to Northwestern, and towards the second half of the 20 year time period provide generation at a cost well below the estimated market price.

In conclusion I encourage the Commission to postpone a decision on this ruling until more facts and research can be gathered before making such a drastic decision that would eliminate future QF's all together.

Thank you for your time.

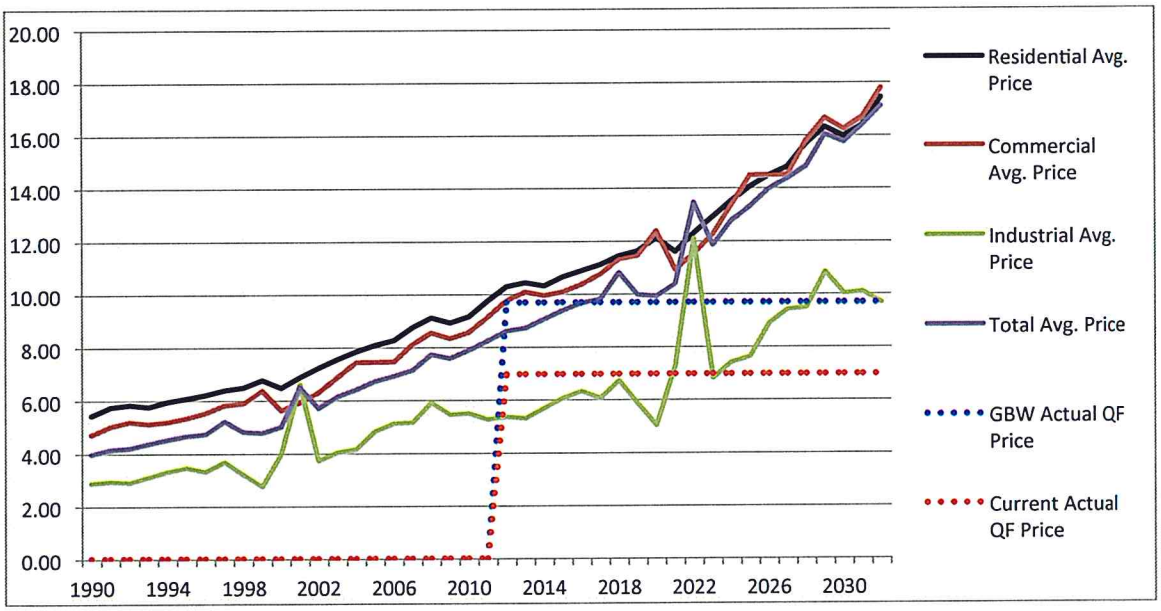
Sincerely,
Bryan Rogan
Partner-Gordon Butte Wind, LLC

Exhibit A:

Price comparison's between average electricity price, and GBW QF pricing and Current QF pricing from 1990 - 2032. (QF price's adjusted by adding estimated delivery costs).

Notes:

1. Average pricing between 1990 - 2011 were obtained from the Energy Information Administration (EIA) for Montana. These prices include delivery costs.
2. Average EIA pricing between 2012-2032 were estimated by mirroring the year to year price fluctuations between 1990-2011(percentage). A more in depth description of how this was done is provided with the data chart on page 2.
3. GBW Actual QF price was adjusted to include estimated delivery costs: 6.921 * 1.4 (40%)=9.69.
4. Current Actual QF price was calculated by taking the average of the peak and off-peak rates for option 1c: (4.697+5.233)/2=4.965. Then the 40% escalation was added for estimated delivery costs: 4.965*1.4(40%)=6.96.



Data Chart

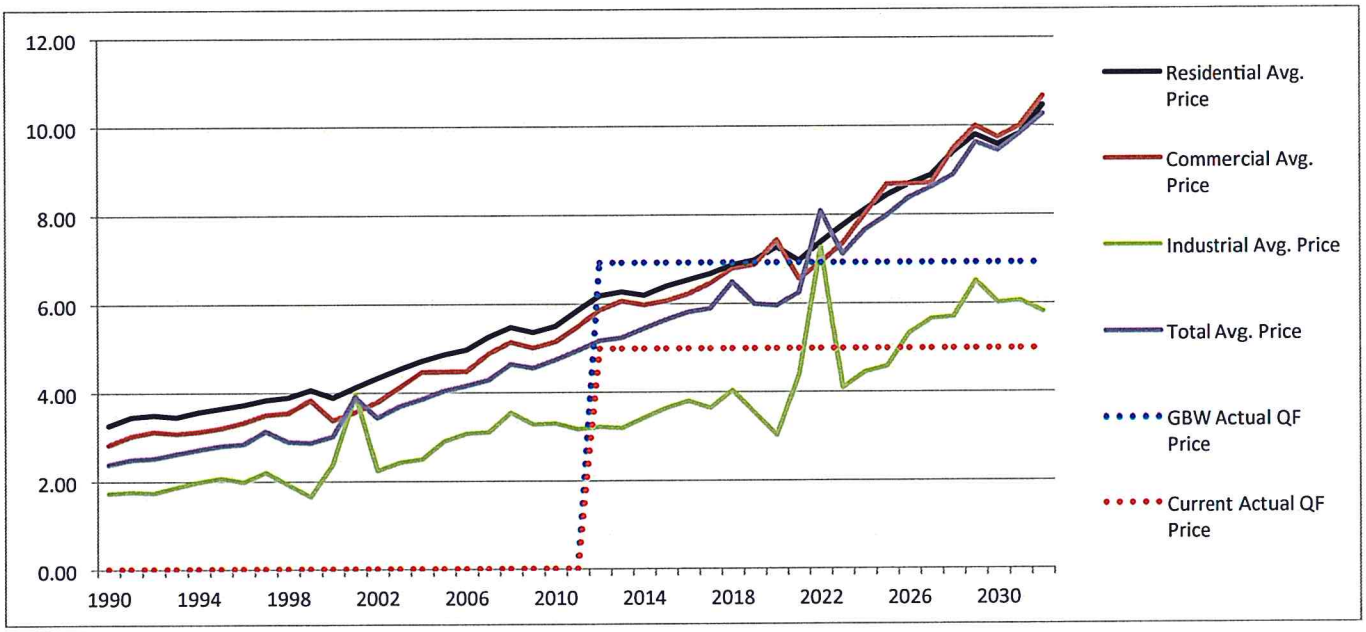
EIA Average Price by State by Provider, 1990-2011								
Year	State	Industry Sector Category	Residential Price (Cents per kwh)	Commercial Price (Cents per kwh)	Industrial Price (Cents per kwh)	Total Price (Cents per kwh)	GBW Adjusted QF Rate	Current Adjusted QF Rate
1990	MT	Total Electric Industry	5.45	4.68	2.87	3.96	0.00	0.00
1991	MT	Total Electric Industry	5.76	5.00	2.92	4.14	0.00	0.00
1992	MT	Total Electric Industry	5.84	5.17	2.89	4.19	0.00	0.00
1993	MT	Total Electric Industry	5.77	5.10	3.10	4.36	0.00	0.00
1994	MT	Total Electric Industry	5.96	5.17	3.30	4.51	0.00	0.00
1995	MT	Total Electric Industry	6.09	5.31	3.44	4.65	0.00	0.00
1996	MT	Total Electric Industry	6.22	5.51	3.30	4.72	0.00	0.00
1997	MT	Total Electric Industry	6.40	5.80	3.66	5.20	0.00	0.00
1998	MT	Total Electric Industry	6.50	5.87	3.19	4.80	0.00	0.00
1999	MT	Total Electric Industry	6.78	6.35	2.74	4.77	0.00	0.00
2000	MT	Total Electric Industry	6.49	5.60	3.97	5.00	0.00	0.00
2001	MT	Total Electric Industry	6.88	5.91	6.59	6.48	0.00	0.00
2002	MT	Total Electric Industry	7.23	6.28	3.71	5.70	0.00	0.00
2003	MT	Total Electric Industry	7.56	6.85	4.03	6.14	0.00	0.00
2004	MT	Total Electric Industry	7.86	7.42	4.15	6.40	0.00	0.00
2005	MT	Total Electric Industry	8.10	7.43	4.83	6.72	0.00	0.00
2006	MT	Total Electric Industry	8.28	7.44	5.12	6.91	0.00	0.00
2007	MT	Total Electric Industry	8.77	8.10	5.16	7.13	0.00	0.00
2008	MT	Total Electric Industry	9.13	8.54	5.90	7.72	0.00	0.00
2009	MT	Total Electric Industry	8.93	8.32	5.45	7.57	0.00	0.00
2010	MT	Total Electric Industry	9.16	8.55	5.49	7.88	0.00	0.00
2011	MT	Total Electric Industry	9.75	9.12	5.27	8.23	0.00	0.00
2012	*EIA average rates between 2012 - 2032 were estimated by mirroring the percentage increase or decrease from year to year between 1990 - 2011. So for 2012 the estimated average price is calculated by taking the 2011 price from the EIA report, and increase (or decrease) by the same percentage as the price difference from 1990-1991. 2013 was estimated by taking the calculated 2012 price and increase (or decrease) by same percentage as the price difference from 1991-1992. This same method was used for the following years through 2032.*		10.30	9.74	5.36	8.60	9.69	6.96
2013			10.45	10.07	5.31	8.71	9.69	6.96
2014			10.32	9.94	5.69	9.06	9.69	6.96
2015			10.66	10.07	6.06	9.37	9.69	6.96
2016			10.89	10.35	6.32	9.66	9.69	6.96
2017			11.13	10.74	6.06	9.81	9.69	6.96
2018			11.45	11.30	6.72	10.81	9.69	6.96
2019			11.63	11.44	5.86	9.98	9.69	6.96
2020			12.13	12.37	5.03	9.91	9.69	6.96
2021			11.61	10.91	7.29	10.39	9.69	6.96
2022			12.31	11.52	12.10	13.47	9.69	6.96
2023			12.93	12.24	6.81	11.85	9.69	6.96
2024			13.52	13.35	7.40	12.76	9.69	6.96
2025			14.06	14.46	7.62	13.30	9.69	6.96
2026			14.49	14.48	8.87	13.97	9.69	6.96
2027			14.81	14.50	9.40	14.36	9.69	6.96
2028			15.69	15.78	9.47	14.82	9.69	6.96
2029			16.33	16.64	10.83	16.04	9.69	6.96
2030			15.98	16.21	10.01	15.73	9.69	6.96
2031			16.39	16.66	10.08	16.38	9.69	6.96
2032			17.44	17.77	9.68	17.10	9.69	6.96

Exhibit B:

Price comparison's between average electricity price, and GBW QF pricing and Current QF pricing from 1990 - 2032. (Avg. price's adjusted by subtracting estimated delivery costs).

Notes:

1. Average pricing between 1990 - 2011 were obtained from the Energy Information Administration (EIA) for Montana. These prices include delivery costs.
2. Average EIA pricing between 2012-2032 were estimated by mirroring the year to year price fluctuations between 1990-2011(percentage). A more in depth description of how this was done is provided with the data chart on page 2.
3. The EIA average pricing was then reduced by 40% to remove estimated delivery costs so a direct comparison could be made with the QF pricing.
4. Current Actual QF price was calculated by taking the average of the peak and off-peak rates for option 1c: (4.697+5.233)/2=4.965.



Data Chart #1

(Estimate future pricing from EIA data)

EIA Average Price by State by Provider, 1990-2011						
Year	State	Industry Sector Category	Residential Price (Cents per kwh)	Commercial Price (Cents per kwh)	Industrial Price (Cents per kwh)	Total Price (Cents per kwh)
1990	MT	Total Electric Industry	5.45	4.68	2.87	3.96
1991	MT	Total Electric Industry	5.76	5.00	2.92	4.14
1992	MT	Total Electric Industry	5.84	5.17	2.89	4.19
1993	MT	Total Electric Industry	5.77	5.10	3.10	4.36
1994	MT	Total Electric Industry	5.96	5.17	3.30	4.51
1995	MT	Total Electric Industry	6.09	5.31	3.44	4.65
1996	MT	Total Electric Industry	6.22	5.51	3.30	4.72
1997	MT	Total Electric Industry	6.40	5.80	3.66	5.20
1998	MT	Total Electric Industry	6.50	5.87	3.19	4.80
1999	MT	Total Electric Industry	6.78	6.35	2.74	4.77
2000	MT	Total Electric Industry	6.49	5.60	3.97	5.00
2001	MT	Total Electric Industry	6.88	5.91	6.59	6.48
2002	MT	Total Electric Industry	7.23	6.28	3.71	5.70
2003	MT	Total Electric Industry	7.56	6.85	4.03	6.14
2004	MT	Total Electric Industry	7.86	7.42	4.15	6.40
2005	MT	Total Electric Industry	8.10	7.43	4.83	6.72
2006	MT	Total Electric Industry	8.28	7.44	5.12	6.91
2007	MT	Total Electric Industry	8.77	8.10	5.16	7.13
2008	MT	Total Electric Industry	9.13	8.54	5.90	7.72
2009	MT	Total Electric Industry	8.93	8.32	5.45	7.57
2010	MT	Total Electric Industry	9.16	8.55	5.49	7.88
2011	MT	Total Electric Industry	9.75	9.12	5.27	8.23
2012	*EIA average prices between 2012-2032 were estimated by mirroring the percentage increase or decrease from year to year between 1990 - 2011. So for 2012 the estimated average price is calculated by taking the 2011 price from the EIA report, and increase (or decrease) by the same percentage as the price difference from 1990-1991. 2013 was estimated by taking the calculated 2012 price and increase (or decrease) by same percentage as the price difference from 1991-1992. This same method was used for the following years through 2032.*			10.30	9.74	5.36	8.60
2013				10.45	10.07	5.31	8.71
2014				10.32	9.94	5.69	9.06
2015				10.66	10.07	6.06	9.37
2016				10.89	10.35	6.32	9.66
2017				11.13	10.74	6.06	9.81
2018				11.45	11.30	6.72	10.81
2019				11.63	11.44	5.86	9.98
2020				12.13	12.37	5.03	9.91
2021				11.61	10.91	7.29	10.39
2022				12.31	11.52	12.10	13.47
2023				12.93	12.24	6.81	11.85
2024				13.52	13.35	7.40	12.76
2025				14.06	14.46	7.62	13.30
2026				14.49	14.48	8.87	13.97
2027				14.81	14.50	9.40	14.36
2028				15.69	15.78	9.47	14.82
2029				16.33	16.64	10.83	16.04
2030				15.98	16.21	10.01	15.73
2031				16.39	16.66	10.08	16.38
2032				17.44	17.77	9.68	17.10

Data Chart #2

Estimated EIA pricing without delivery costs for a more direct comparison to the QF PPA pricing. EIA actual pricing (1990-2011) and estimated pricing (2012-2032) were reduced by 40% to remove delivery costs.

Year	State	Industry Sector Category	Residential Price (Cents per kwh)	Commercial Price (Cents per kwh)	Industrial Price (Cents per kwh)	Total Price (Cents per kwh)	GBW Adjusted QF Rate	Current Adjusted QF Rate
1990	MT	Total Electric Industry	3.27	2.81	1.72	2.38	0	0
1991	MT	Total Electric Industry	3.46	3.00	1.75	2.48	0	0
1992	MT	Total Electric Industry	3.50	3.10	1.73	2.51	0	0
1993	MT	Total Electric Industry	3.46	3.06	1.86	2.62	0	0
1994	MT	Total Electric Industry	3.58	3.10	1.98	2.71	0	0
1995	MT	Total Electric Industry	3.65	3.19	2.06	2.79	0	0
1996	MT	Total Electric Industry	3.73	3.31	1.98	2.83	0	0
1997	MT	Total Electric Industry	3.84	3.48	2.20	3.12	0	0
1998	MT	Total Electric Industry	3.90	3.52	1.91	2.88	0	0
1999	MT	Total Electric Industry	4.07	3.81	1.64	2.86	0	0
2000	MT	Total Electric Industry	3.89	3.36	2.38	3.00	0	0
2001	MT	Total Electric Industry	4.13	3.55	3.95	3.89	0	0
2002	MT	Total Electric Industry	4.34	3.77	2.23	3.42	0	0
2003	MT	Total Electric Industry	4.54	4.11	2.42	3.68	0	0
2004	MT	Total Electric Industry	4.72	4.45	2.49	3.84	0	0
2005	MT	Total Electric Industry	4.86	4.46	2.90	4.03	0	0
2006	MT	Total Electric Industry	4.97	4.46	3.07	4.15	0	0
2007	MT	Total Electric Industry	5.26	4.86	3.10	4.28	0	0
2008	MT	Total Electric Industry	5.48	5.12	3.54	4.63	0	0
2009	MT	Total Electric Industry	5.36	4.99	3.27	4.54	0	0
2010	MT	Total Electric Industry	5.50	5.13	3.29	4.73	0	0
2011	MT	Total Electric Industry	5.85	5.47	3.16	4.94	0	0
2012			6.18	5.85	3.22	5.16	6.921	4.97
2013			6.27	6.04	3.18	5.22	6.921	4.97
2014			6.19	5.96	3.42	5.44	6.921	4.97
2015			6.40	6.04	3.64	5.62	6.921	4.97
2016			6.54	6.21	3.79	5.80	6.921	4.97
2017			6.68	6.44	3.64	5.89	6.921	4.97
2018			6.87	6.78	4.03	6.48	6.921	4.97
2019			6.98	6.86	3.51	5.99	6.921	4.97
2020			7.28	7.42	3.02	5.95	6.921	4.97
2021			6.97	6.55	4.37	6.23	6.921	4.97
2022			7.38	6.91	7.26	8.08	6.921	4.97
2023			7.76	7.34	4.09	7.11	6.921	4.97
2024			8.11	8.01	4.44	7.66	6.921	4.97
2025			8.44	8.68	4.57	7.98	6.921	4.97
2026			8.69	8.69	5.32	8.38	6.921	4.97
2027			8.89	8.70	5.64	8.62	6.921	4.97
2028			9.41	9.47	5.68	8.89	6.921	4.97
2029			9.80	9.99	6.50	9.63	6.921	4.97
2030			9.59	9.73	6.00	9.44	6.921	4.97
2031			9.83	10.00	6.05	9.83	6.921	4.97
2032			10.47	10.66	5.81	10.26	6.921	4.97

Solem, Aleisha

From: DAVE RYAN <drpe@msn.com>
Sent: Thursday, June 27, 2013 3:54 PM
To: Solem, Aleisha
Subject: David Ryan PE Comments on QF ARM Amendment
Attachments: David Ryan Comment on the proposed amendment to ARM 38.docx

Please include my comments on this matter. If you have questions or if I can be of any help, please do not hesitate to contact me, David Ryan PE, 2910 Floral Blvd. Butte, MT. 59701 406 490 6233.
Thank you very much!

David Ryan PE's comment on the proposed amendment to ARM 38.5.1902 pertaining to qualifying facilities

I listened to the comments during the hearing the other day and I have the following comments to add. I am very much opposed to changing the limit of qualifying facilities in Montana from 10 MW to 100 KW, this is moving entirely in the wrong direction. We need to build the market for renewable energy and energy efficient generation in Montana, not cut it down. I agreed mainly with the people who spoke in opposition to the amendment, I have some points that I felt were not made in the hearing:

I think it would be good to remember why PURPA was enacted. PURPA was enacted to encourage more free enterprise, and to encourage the construction of relatively clean electric generation outside of the control of vertically integrated utilities. It was not the first and certainly was not the last piece of federal legislation that has more and more enabled the construction and interconnection of smaller scale distributed generation which overall is a very good thing. Generation at the load end of the line avoids line losses, decreases the impact of new generation by spreading it out, and empowers people to think in unconventional ways and seek solutions they would not seek under the traditional utility paradigm.

Making QFs fair for the utility should be done by good ratemaking. Basing avoided costs on current market conditions is short sighted and overly risky. Natural gas prices in April 2012 were $2.00 per million Btu, today they are $3.58. If avoided costs were set on gas prices a year ago, those companies bidding in to the market using natural gas would be broke today. A rule of thumb is the cost of natural gas volatility is roughly the same as the cost to balance wind generated energy – so is not trivial. Setting avoided costs should be done based upon a complete analysis of the complete resource stack. It is also very important to include the value of environmental externalities in the QF avoided costs.

All electric generation technologies are intermittent. There is no perfect generator. So, while some generators are more intermittent than others, it is unfair to say some generators are not intermittent. According to the US Energy Information Administration (EIA), in Electric Power Annual 2009 Table 5.2 April 2011, the capacity factors were as follows:

- Natural Gas Plant–11.4%
- Oil–7.8%
- Hydroelectric–39.8%
- Other renewables (Wind/Solar/Biomass)–33.9%
- Coal–63.8%
- Nuclear–90.3%

It is also very important to remember that when a big generator goes offline unexpectedly it can cause widespread blackouts. A ten MW QF is not going to take any large substation offline. Encouraging QFs will help diversify the power system, making it more robust.

For all these reasons I encourage the Commission not to adopt this amendment.

David Ryan PE
2910 Floral Blvd
Butte, MT. 59701
406 4
90 6233

Solem, Aleisha

From: Kavulla,Travis
Sent: Friday, June 21, 2013 3:28 PM
To: Solem, Aleisha
Subject: FW:
Attachments: What is a QF.doc

Follow Up Flag: Follow up
Flag Status: Flagged

Comment on rulemaking

From: Ben Singer [ben@hydrodynamics.biz]
Sent: Friday, June 21, 2013 3:19 PM
Subject:

Commissioner,
I am writing you in regard to your proposed rulemaking for QFs under PURPA. The hearing for which is on monday the 24th of June.

Please temper this rulemaking. There are a great many ranches and farms that are in the red that could leap into profitability with a small hydro on their irrigation system. Or at least pay for our irrigation.

Projects larger than the 10MW cap (or 100kW if this rule change happens) have to compete in an auction conducted by NWE. It is important to note that NWE has NEVER held such an auction. Or if you call Northwestern and ask for a contract, they will flat tell you no.

If we can make power cheaper than NW can, shouldn't we be allowed to? These small QFs are locked in at a rate. They also have to pay all of their own costs to the transmission system. NWE's projects on the other hand can always come back later and raise their rates if they are not making enough money. They have already done this. NWE can also hide a lot of their costs in other areas, so that their project looks cheaper. Look at the DGGS and the promises made to the PSC that have been broken. Now the rate payers pay for it. With this proposed rule, why wouldnt we expect NWE rates to go up? As always, once it is done, we will just have to live with it.

If QFs go down, the rate payers do not pay the QF until it comes back online. This is not true of Northwesterns projects.

There are no projects at 100kW that can be built and pay for themselves. This is effectively zero. The necessary scale is up to 3-4 MW. There are few Hydro's that can even be built in Montana and are small as well. It is not possible for a hydro gold rush to occur here.

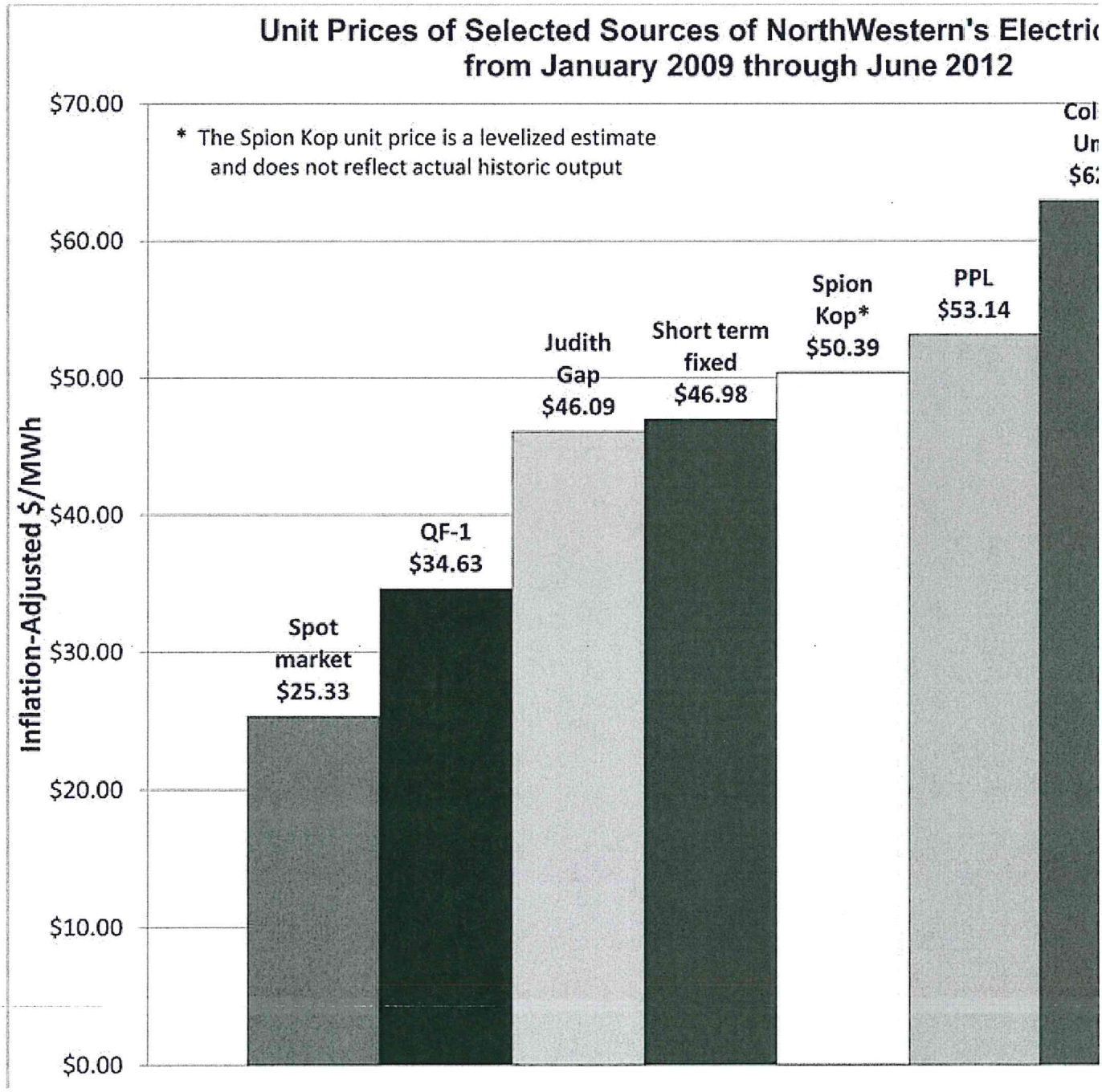
We should be using all of the above in our resources, including hydroelectric. I thought this approach had already been promised. This rulemaking also contradicts Congressman Daine's current efforts to promote small agricultural hydroelectric.

There have to be ways to limit the big wind farms without shutting off all small hydro's that Montana families can build. Idaho recently capped wind at 100kW, but left hydro available at 10MW. Should NWE attain enough generation to meet load, the Commission has always had the ability to restrict further QF development, by setting the QF-1 rate at the avoided cost. This allows the free market to keep Montana electric rates down.

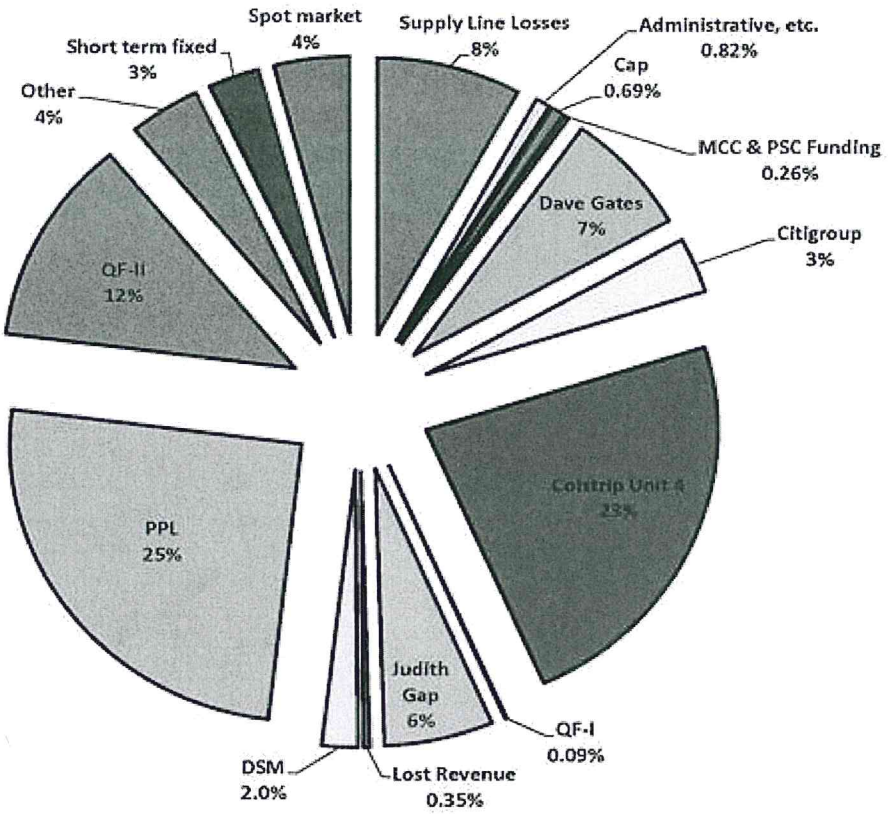
QF-1's make up 0.09% of NWE's supply rate. This is after over 30 years of PURPA. All of NorthWestern Energy's QF-1s are small wind and hydro projects. What would have changed to cause a fear of sudden explosive development?

In the graphic below, spot market are obviously not contracted for 25 years. In hindsight, shouldn't we have built a lot more of these QF-1s? This in addition to all of the engineering benefits of distributed generators.

Ben Singer



Components of NorthWestern's Residential Electric "Supply Rate" in 2011



Ben Singer
Hydrodynamics Inc
825 W Rocky Creek Rd
Bozeman MT 59715
406-587-5086
406-587-0056 FAX

FACT SHEET ON QUALIFYING FACILITIES AND HB 491

Produced by: Montana Small Independent Renewable Generators (MSIRG)
Contact: Suzanne Bessette, 443-2211, sbessette@doneylaw.com; or Tom Daubert, 431-7879, doebare@aol.com

What are QFs?
Qualifying Facilities are small-scale renewable (biomass, waste, water, wind, etc) generators of electricity, or are co-generators, meaning they produce electricity from traditional fuels like coal or recycled coal, but do so in a way that maximizes the efficiency of the generation by re-using the byproduct of the generation process (such as steam or water). In this way, renewables and cogenerators minimize the carbon and other hazardous emissions caused by traditional coal-fired power plants. In Montana, by Commisision rule, QFs cannot be bigger than 50MegaWatts(MW) in nameplate capacity. As small-scale facilities, QFs can spread economic benefits (increased property tax revenues, land rents, jobs, etc.) around rural communities and counties throughout the state. In reality QFs are limited to 10MW, as the RFP process required for projects larger than 10MW has never happened.

What is PURPA?
The federal Public Utility Regulatory Policies Act (PURPA) of 1978 and its implementing regulations encourage the development of small-scale renewable energy projects. They require all regulated utilities to purchase power from QFs at prices at or below what the utility would otherwise pay for the same amount of power, in other words the utility's "avoided costs". PURPA also encourages the use of long-term (15-20 year) contracts because, practically speaking, financing is only available for longer-term projects. Therefore, "avoided costs" are calculated prospectively; they are a forecast of what the utility will pay for power in the next 10-15 years. Each state's regulators (in Montana, the Public Service Commission) set the rates and conditions for QF power purchases based on their calculation of avoided costs, which is in turn based on detailed information submitted by the utility of its other alternative power purchases. In this way, both the utility purchaser and the electric consumer are financially indifferent to whether the power is coming from a QF or from any other resource, because the price of QF power will not exceed that of the utility's other alternative power purchases. Renewable energy production is encouraged while protecting consumers from rate hikes.

What if the power produced by QFs is predicted to be more expensive than NorthWestern's other power purchase options?

The law does not allow the purchase rate for QF power to be more than what NWE would otherwise pay for power from other sources. NWE is protected from having to pay above-market rates for this power. If a renewable project developer's costs are higher than the cost of the utilities' alternatives, then the project will be unfeasible and the QF developer will not sell its power to the utility at a loss.

What if NWE enters into a long-term contract with a QF at a reasonable market-based rate, but then the market price of electricity goes down during the contract? Won't NWE end up paying more than the market rate then?

Yes. However, purchasing power from a QF at a long-term rate also works the other way: it insulates NWE from the possibility that the short-term market price for electricity will rise. For purposes of long-term planning and stability of prices for rate-payers, long-term contracts are favored as a matter of public policy and this is already written into Montana law.

What purchase rate are new QFs offered for their power?

Right now, a QF forming a new power sales contract with NWE has three choices under the "standard rate" set by the PSC:

(1) $49.90/MWH,

(2) The daily market rate of power set by a regional power sales market (a.k.a. the "Mid-C rate"). In the last year, this rate has averaged at $57.75/MWH.

(3) A rate equal to NWE's hourly avoided costs (in other words, the rate at which NWE could purchase an equivalent amount of energy, as it fluctuates every day). No project has chosen option number 3, because of the difficulties of getting NWE to account for its hourly avoided costs.

What is NWE currently paying for its other (non-QF) supplies?

NWE recently told the PSC that the best indicator of its default non-QF power supply cost is $62.37/MWH (based on its new generation asset, Colstrip Unit 4).

So which is more expensive for NWE, QF power or non-QF power?

QF power cannot be priced higher than non-QF purchases as a matter of law and it is not priced higher than non-QF purchases as a matter of fact: NWE's stated default power purchase rate is $62.37/MWH while QF power costs either $49.90/MWH or is tied to the market rate which, this past year was about $57.75/MWH.

But aren't a lot of QFs wind projects, and isn't wind more expensive because it's intermittent and hard to integrate into the system?

No one disputes that wind is an intermittent resource and that utilities have to ensure that customers don't encounter power failures when it's not blowing. Utilities do this mostly by purchasing "regulating reserves" – power resources that can come online very quickly and make up for any shortcomings of wind. While these resources do cost money, it is the QFs, not NWE, that pays for them through an "integration charge" subtracted from the rate paid for power to the QF. For example, a recent contract settled between NorthWestern and a wind QF had a rate set at the market price (i.e., about $57.75/MWH) but also included an integration charge of about $5/MWH. In the end, therefore, NWE gets a firmed-up resource at a bargain price of about $52.75/MWH.

How does QF power in the system affect ratepayers?

It doesn't. QF contracts are all factored into the energy rate you see at the top of your bill. Since they do not cost NWE more than their other purchases, NWE does not pass on any additional costs to the ratepayers.

What about the "CTC-QF" I see on my bill? Isn't that an additional charge that accounts for QF purchases?

No. The CTC-QF is a remnant debt from NWE's purchase of Montana Power Company. When the Public Service Commission approved that purchase, it also approved an agreement reached between NWE, the Montana Consumer Counsel, and a number of other groups regarding how to manage the very high costs ($682 million of "transition charges") that NWE paid MPC for the QF contracts already in use on the system. Part of that money was to be recovered in regular consumer rates tied to the existing QF contracts, and those rates were set for remaining lives of the contracts and are now contained in the basic energy rate paid by consumers. (Currently the consumer rate for these contracts is $34.01/MWH, far below the average market rate for power). The rest of the transition charges were to be recovered through the "CTC-QF", an annual payment made by all electricity consumers. (This year, for instance, NWE is recovering about $25 million in CTC-QF charges from its customers and currently this works out for residential customers as $.0032/kwh). The total amount will be repaid to NorthWestern by the ratepayers as of 2031. So the cost on consumer electric bills as "CTC-QF" has nothing to do with current QF-contracts and will not change, no matter how much more QF power is put on the system. It is simply the repayment of an old NWE purchase.

Regarding HB 491… If QF power is no more expensive than NWE's other power purchases, and we have so much renewable power potential in Montana, why is there not more of it on NWE's system?

The law as written into Montana Code is less clear and provides less guidance than the federal regulations. The federal regulations are incorporated, but only by reference, into the PSC's rules. This has allowed NWE to skirt around the federal requirements and largely take the power of QF rate-setting away from the PSC, acting more like the regulator than a regulated utility. NWE has failed to submit the data required by the federal regulations which is supposed to be the basis of the Commission's calculation of avoided costs and therefore the basis of its rate-setting for QF contract rates.[1] Based on this failure, and NorthWestern's refusal to negotiate in good faith and a reasonable time to offer power purchase contracts to potential QFs, some QFs have had to sue NWE before the Commission and state courts, providing an excuse for NorthWestern to call QF contracts "difficult", "expensive" and inefficient. But QFs are not to blame. NorthWestern's mismanagement and avoidance of its QF-related obligations that has been incredibly difficult, expensive and inefficient.

HB 491 does not seek to change NWE's obligations under either the federal or Montana law. Instead, it simply clarifies the obligations of the utility and the obligations of the PSC in regard to QF contract formation, according to the terms already written into the federal regulations. By doing this, we hope to make the utility's obligations and the intent of the legislature more clear and enforceable by any aggrieved party in Montana state court.

This bill does the following things:

1) "Housekeeping" provisions – removes the "temporaries" and adds definitions of key terms. The temporaries and conditional repealers were added at a time when it was unclear whether the federal law would survive. At this point, there is no doubt that the federal PURPA will survive for the foreseeable future so they should be removed. This position is supported by the PSC staff attorney. The definitions clarify key terms that are used later in the statute and thus ought to be included in the statute itself instead of merely being defined by regulation.
2) Clarifies the duties of the utility and the PSC regarding the submission of avoided cost information, the calculation of avoided costs, and the standard rate calculation for all QF projects.
3) The law currently allows the PSC to sue NWE in district court for damages due to NWE's violation of QF law, but the PSC has so far never used this power. This bill allows that the PSC or any other aggrieved party can enforce the existing penalty provision of the law against the utility in state court. If the government cannot enforce this law, the government must allow a private right of action.

[1] A Montana Court has found that NorthWestern's submissions do not meet the federal requirements and ordered the PSC to collect the data; when NorthWestern continued to refuse to offer the data, the PSC was sanctioned by the court. That case is ongoing, as is a separate dispute before the PSC regarding NWE's failure to submit the information.

June 26, 2013

Aleisha Solem
Department of Public Service Regulation
1701 Prospect Avenue
P.O. Box 202601
Helena, Montana 59620-2601

Re: the amendment of ARM 38.5.1902

Ms. Aleisha Solem,

As members of the Montana Legislature, and in accordance with 2-4-405 of Montana Code, we would like to request an economic impact statement be prepared regarding the amendment of ARM 38.5.1902 pertaining to qualifying facilities (MAR Notice No 38-5-218).

Sincerely,

Rep. Tom Steenberg, HD 95
4802 Aspen Drive
Missoula, MT 59802
(406) 721-5869. mtsteenberg@bresnan.net

Public Comment #1802

Filed 6/24/2013 12:24:00 AM

Name: Patti Steinmuller
Address: 14665 Spanish Breaks Trail
City, State: Gallatin Gateway, MT
Zipcode: 59730
Phone: (406) 763-4145
Email: psteinmul@msn.com

Docket: none specified
Case Name or Utility/Carrier Affected:

Subject: Proposed rule to reduce renewable energy contribut

Comments: I am strongly opposed to the proposed rule to be considered on June 24 to reduce the amount of power a renewable energy project can produce while receiving a standard-rate contract from NorthWestern Energy. If this proposal passes, only 4 or the current 28 wind and hydropower projects that have long-term contracts to produce power for NorthWestern Energy would qualify for a contract under the new rule. This proposal moves Montanans backward instead of forward to develop a comprehensive energy plan for our state. Although renewal energy saves taxpayers money, the current PSC commissioner removed this vital information from its website. I strongly recommend reinstating these data on the PSC website to provide accurate information on the contribution of renewable energy to Montanans. Currently, NorthWestern Energy has a near monopoly on energy delivery in Montana. This rule would strengthen the position of NorthWestern Energy and weaken the ability of renewable energy projects to enter the power delivery system and provide benefit to the public. I urge the commission to reject this proposed rule change.Also, although public comment is to be accepted at the June 24 meeting, I could not locate a specific section of the PSC website to submit comments. I would appreciate a user friendly mechanism for the public to submit comment on this issue and others.

Staff Comments:

BEFORE THE PUBLIC SERVICE COMMISSION
June 23, 2013

Mr. Chairman, Commissioners.

My name is Lee Tavenner. I am here today in opposition to Chairman Gallager's proposal to exempt the Commission from determining the avoided cost rate for QF projects between 100 kw and 10 MW.

It is my understanding that the purpose of the proposed rule change is to relieve the PSC of any responsibility for determining an avoided cost rate for QF projects larger than 100 KW.

It alarms me that the PSC would seek to eliminate its role in determining the value and the rates to be paid for any electrical resource available to a regulated utility. This notion is contrary to my basic idea about why we have a PSC.

My understanding is that most of our markets in the US are based on competition, but electricity needs to be treated differently because it is a natural monopoly. The role of the PSC is to regulate the electricity monopoly by determining gas and electricity rates.

This proposal seeks to reverse this role of the PSC by taking the rate-making authority of the PSC and placing it squarely in the hands of Northwestern Energy.

How Northwestern Energy will value renewable energy projects is not in question. Northwestern Energy has always been opposed to any development of wind and solar, and it has traditionally undervalued these resources. Which is understandable. Northwestern is experienced and knowledgeable in fossil fuel generation and it owns or has interests in substantial coal and natural gas resources. It is neither experienced nor knowledgeable in renewable resources, and it has no vested interest in developing resources that might compete with its fossil fuel base.

What is good for Northwestern Energy is not necessarily what is good for Montana ratepayers. That is why the PSC exists. To turn over this part of the PSC's ratemaking function to Northwestern Energy would be a grave mistake.

Thank you.

Lee Tavenner

Before the Department of Public Service Regulation
Of the State of Montana

In the matter of the amendment of
ARM 38.5.1902 pertaining to
qualifying facilities

To: Commissioners

I am expressing my opposition to the proposed amendment to ARM 38.5.1902 pertaining to qualifying facilities. No justification has been provided as to why 100KW was chosen as the size limit versus the current 10MW limit. Artificially reducing the size to 100KW effectively eliminates the development of qualifying facilities because it makes the economy of scale so small that development becomes cost prohibitive. Environmental studies, permits, interconnection requirements and other fixed costs are essentially the same regardless of the size of the development.

The Public Service Commission should be encouraging a diverse portfolio of resources to meet load rather than considering policy that accomplishes the opposite. This proposal provides the appearance of a monopoly attempting to stifle generation alternatives when the utilization of Montana's natural resources should be encouraged. In addition, renewable generation provides needed jobs and economic growth for local communities.

I encourage the Public Service Commission to retain the current policy and 10 MW size limit. Thank you for your consideration of my comments.

Sincerely

Jerry Toenyes

Jerry Toenyes
Montana land owner

Solem, Aleisha

From: Kevin Waldher <kevin.waldher@zincairinc.com>
Sent: Friday, June 28, 2013 12:36 PM
To: Solem, Aleisha
Subject: PSC rule change adverse affects to Zinc Air

Dear Aleisha,

We at Zinc Air in Columbia Falls, MT would like to voice our opposition to this proposed rule change by the PSC which will more than just adversely affect the renewable energy providers. This will also have a negative impact of Zinc Air, its employees and the other service providers throughout this state that we purchase product and services from. We would ask that before this rule change be considered, there is an economic impact study done that will show the overall economics of this proposal which we believe to have a long term adverse effect on many businesses and their families throughout this state.

We appreciate your support of a long term vision for the people of this great state of Montana.

Kevin

Kevin L. Waldher
EVP/Finance & Investor Relations
Zinc Air, Inc.
5314 Hwy 2 W.
Columbia Falls, MT 59912
Cell: (406) 261-4787
Fax: (815)366-7937
Kevin.Waldher@zincairinc.com
www.zincairinc.com

Please consider the environment before printing this email.